

The Incorporated Accountants' Journal

The Official Organ of
The Society of Incorporated Accountants and Auditors

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Professional Notes.

MR. EDWARD CASSLETON ELLIOTT, F.S.A.A., was elected President of the Society of Incorporated Accountants and Auditors on May 24th. He is senior partner of Messrs. Cassleton Elliott & Co., London, with branch offices in West Africa. Mr. Cassleton Elliott was educated at Christ's Hospital, and was articled to a member of the firm of Messrs. Ebenezer Carr & Co., Incorporated Accountants, London, the senior partner of which at the time was President of the Society of Incorporated Accountants and Auditors. In 1904 Mr. Cassleton Elliott was elected an Incorporated Accountant, subsequent to taking honours in the Intermediate and Final examinations. He went to South Africa for some years on behalf of the amalgamated firm of Deloitte, Dever, Griffiths, Annan & Co. Eventually he returned to London, and after further professional experience established his present firm in 1917.

He was elected a member of the Council of the Society in 1926 and represented the Society at a meeting of the leading body of German account-

ants held in Munich in 1927. He was one of the delegation of Incorporated Accountants to the International Congress on Accounting in Amsterdam and to a similar Congress in New York in 1929. In recent years Mr. Cassleton Elliott has visited West Africa and the West Indies on professional business. Mr. Richard Wilson Bartlett, J.P., F.S.A.A., senior partner of the firm of Messrs. Walter Hunter, Bartlett, Thomas & Co., of Newport (Mon.), Cardiff and London, was elected Vice-President. Mr. Bartlett has taken a prominent part in the affairs of the Newport Chamber of Commerce and is well known in business and accountancy circles in South Wales and Monmouthshire.

We publish this month a report of the case of *Combined Pulp and Paper Mills, Limited*, in which the company claimed damages for alleged conspiracy and breach of duty on the part of certain directors and the auditors of the company and for repayment of dividends paid out of capital. With one exception, the defendant directors have been held liable in heavy damages. Mr. Froude, the partner who acted for the firm of auditors (Messrs. Oscar Berry, Froude & Co.), has also been held liable in damages of a smaller amount. Our report is confined mainly to matters concerning the auditors.

The allegation was that the company's accounts for 1928 and 1929 showed profits which were never in fact made. These profits purported to have been derived from subsidiary companies, and Mr. Froude's firm were not auditors of any of those subsidiaries. It appears from the evidence, however, that in March, 1929, Mr. Froude, jointly with a German accountant, or firm of accountants, had made an unfavourable report to the board in regard to the subsidiary companies; but as the specific grounds on which

the jury's verdict against Mr. Froude was arrived at are not available, it is impossible to say what was in their minds. All we know is that the damages in his case, although assessed at very much less than that of other defendants, were nevertheless the large sum of £24,000.

Mr. Justice Mackinnon refused an application for judgment against the firm of Oscar Berry, Froude & Co. on the ground that the jury were not asked for a verdict against the firm but only in regard to Mr. Froude, and he could not usurp what was part of the province of the jury and accept the contention that what was being done by Mr. Froude was in the ordinary course of business of the firm.

We publish this month the clauses of the Finance Bill which relate to direct taxation and the Exchange Equalisation Account. Clause 17 of the Bill, dealing with the extension of the period for carrying forward losses in certain cases, is a very complicated one. With certain reservations it carries out the concession mentioned by the Chancellor of the Exchequer in his Budget speech that, as between losses on the one hand and wear and tear allowances on the other, the trader is to be given the priority in carrying forward which will be most favourable to him, but the wording seems unnecessarily involved.

With reference to the additional 10 per cent. allowance for wear and tear of Plant and Machinery, it should be borne in mind that this will reduce any obsolescence claim which may arise in relation to such assets in the future, as the whole amount allowed as wear and tear becomes a deduction in arriving at the claim for obsolescence. Moreover, the objection still remains that no obsolescence claim is admissible unless the asset has been replaced.

Writing on the question of the taxation of voluntary pensions under the provisions of clause 15 of the Finance Bill, a correspondent of *The Times* who is an authority on taxation matters, points out that unless the pension comes strictly within the legal definition of "money wholly and exclusively laid out or expended for the purposes of the trade," tax will be payable both by the giver and by the receiver of the pension. This would obviously be quite inequitable, and it is to be hoped that before the clause becomes law, some provision will be introduced so that items of this character shall not be subject to double income tax. Should the clause be passed in its present form there is the further danger that

the principle so established may be extended to other kinds of gifts.

Mr. H. L. Hingston Hill, the President of the Institute of Chartered Accountants, in delivering his address at the Annual Meeting of the Institute, referred to the Royal Mail case, and said that the reception of the Opinion of Counsel which had been obtained by the Institute revealed a measure of disappointment on the part of the members. While assuring the members that the special committee appointed to consider the matter experienced the same disappointment, they were reluctantly compelled to believe that the interests of the Institute and of the members would be best served by the Council refraining from making an official pronouncement on matters which, by their very nature, were incapable of reduction to exact formulæ.

In his view, any expression by the Council in general terms on such subjects as secret reserves would be susceptible of misapplication in some cases, and, therefore, fraught with danger to members. At the same time, Mr. Hill clearly indicated that the Institute is in favour of more information being given to shareholders than is generally the case, especially in relation to subsidiary companies, but that this information should be voluntarily provided by directors under the guidance of auditors, rather than enforced by legislation. He also expressed the view that the dangers arising from the publication of more informative accounts have been overstated, and that the legitimate claims of shareholders have not received adequate recognition.

Last month the Chancellor of the Exchequer announced that the Committee appointed to inquire into the position of co-operative societies in relation to Income Tax will consist of: Mr. W. N. Raeburn, C.B.E., K.C. (Chairman), Sir Geoffrey Corbett, K.B.E., and Mr. H. L. Hingston Hill (the President of the Institute of Chartered Accountants in England and Wales). The terms of the reference are: "To inquire into the present position of Co-operative societies in relation to the Income Tax and to report whether any modification of that position is desirable, and, if so, what alterations of the law are required for the purpose." When the names were announced in the House of Commons, a question was asked as to what were the particular qualifications of the Chairman. Mr. Chamberlain replied that Mr. Raeburn was a gentleman who had a judicial mind, and had the sort of experience which would enable him to fulfil the duties of chairman with impartiality and justice.

The co-operative societies appear to take strong objection to the appointment of this Committee, and in a resolution passed at the Co-operative Congress held in Glasgow recently, they pledged themselves "to take such action as is necessary to defend the members of the movement against the additional and unfair taxation which is the object of the malicious attacks to which the movement is being subjected." If the case for the co-operative societies is a good one, it does not seem very obvious why they should object to an inquiry.

Fresh points under the Rent Restriction Acts are continually arising. The latest is one relating to the position of a statutory tenant in the event of bankruptcy. The question arose in the case of *Sutton v. Dorf*, which came before Mr. Justice Acton and Mr. Justice Talbot in the Divisional Court last month. The tenant had become bankrupt, and his trustee in bankruptcy had purported to disclaim the tenancy. The landlord thereupon claimed possession, which was granted by the County Court Judge on the authority of the decision in *Parkinson v. Noel*. Mr. Justice Acton, in delivering judgment, reviewed the various cases which had been decided from *Parkinson v. Noel* onwards, which showed that the Courts had been gradually working to the view that the right of the statutory tenant was not a right of property. In his opinion, therefore, it was impossible to reconcile the decision in the case of *Parkinson v. Noel* with the principles clearly set forth in subsequent judgments of the Court of Appeal.

In his Lordship's view, the proposition that a statutory tenancy under the Rent Restriction Acts was "property" of a tenant within the meaning of sect. 167 of the Bankruptcy Act, 1914, and as such passed to the trustee in bankruptcy of the statutory tenant, could not be upheld. The appeal was accordingly granted, and it would thus appear that as a statutory tenancy is not property passing to the trustee in bankruptcy there is nothing for him to disclaim.

What is the definition of "contributory" in the liquidation of a company? This question arose in relation to the affairs of *Aidall Limited*, in which there was a liability by the company for super tax on undistributed profits. The company's assets had been distributed without providing for the claim, and as there was apparently no prospect of getting anything from the liquidator, an action was brought against the personal representative of a shareholder under the provisions of the Companies Act, which enable

the Court to order any contributory to pay to the company any money due from him or the estate of the person he represents.

The Administrator argued that "contributory" meant only a person liable in respect of capital unpaid on his shares, and as the shares in this case were fully paid that he was not, therefore, a contributory. It was pointed out, however, by Mr. Justice Maugham, in delivering judgment, that the term "contributory" is used in several sections of the Act in the wider sense of "member," and therefore includes a holder of fully paid shares who might receive money in the winding up. Judgment was accordingly given for the Crown. It is thus established that "contributory" includes not only a holder of partly paid shares in respect of calls as hitherto understood, but also a holder of fully paid shares who may participate in any distribution of the company's assets.

The decision of the Court of Appeal in the case of *Wesley v. Manson* (referred to in these columns in June, 1931) has recently been affirmed by the House of Lords. This was a case where a business had been discontinued and the Inland Revenue Authorities reopened the Income Tax assessment for the penultimate year. The question at issue was whether the new assessment should be based upon the profits for the year ending on April 5th as ascertained by apportionment, or whether it should be based upon the profits shown by the accounts for the period which ended during that year, and it was held that the former contention was correct.

THE SOCIETY'S 47th ANNUAL MEETING.

THE 47th annual report of the Council, together with the accounts of the Society of Incorporated Accountants and Auditors, will be found in this issue. The number of members on the roll at December 31st, 1931, was 5,664, and consisted of 1,448 Fellows, 4,213 Associates and 3 honorary members. It is somewhat regrettable to note that the number of Fellows remained almost stationary. It should be the aim of all qualified Associates to attain the higher rank of membership.

The examination statistics showed that 2,022 candidates presented themselves for the examinations in 1931, of whom 702 sat for the Final examination, 944 for the Intermediate, and 376 for the Preliminary. The passes in the Final examination were 51 per cent., as against 47 per

cent. in 1930; in the Intermediate 52 per cent., which was the same as in the previous year; and in the Preliminary 60 per cent. as against 58 per cent.

The accounts of the Society disclosed a total income of £28,915, as against £26,637 in the previous year. After transferring a sum of £1,367 for redemption of debentures on Incorporated Accountants' Hall there was a surplus of income over expenditure of £3,789. Notwithstanding the loss of £2,657 on sale of investments, the accumulated fund stood at £40,913, apart from the reserve for debenture redemption.

The speech of the President, Mr. Henry Morgan, after dealing with matters of a domestic nature, was mainly occupied by a consideration of the law relating to public companies, especially in regard to company accounts and audit. It also embraced a general review of the recommendations of the Special Committee of the Society of Incorporated Accountants and Auditors, which were published in our May issue and circulated to the members of the Society along with the annual report of the Council. At the outset of his observations on this subject Mr. Morgan made it clear that the views which he put forward were given on his own responsibility and did not necessarily reflect the opinion of his colleagues on the Committee. He devoted himself principally to a consideration of holding companies' accounts and the proper treatment of the profits or losses of subsidiary companies in relation thereto. Mr. Morgan said that he had examined the reports and accounts published since the beginning of the current year of 414 representative commercial and industrial companies. In 270 cases, or 65 per cent. of the whole, the balance sheets included interests in one or more subsidiary companies. Of these 270 companies, in only 58 cases, or 21 per cent., was it clearly shown by the accounts that the full results of the subsidiary companies had been taken into account in arriving at the profit or loss of the holding company. In most other cases, to comply with sect. 126 of the 1929 Act, a statement was appended indicating that the profits of subsidiary companies were included in the profit and loss account only in so far as they had been declared as dividends.

Having pointed out that the recommendation of the Society's Committee was that in so far as profits or losses of subsidiary companies had not been brought into account in the profit and loss account of the holding company, there should be stated on the face of the accounts of that company the balance of the ascertained profits or losses of such subsidiaries, Mr. Morgan added that personally he considered the most satisfactory method was

to draw up the balance sheet and profit and loss account of the holding company in such a form as to incorporate the results of subsidiaries. He recognised the difficulty in certain circumstances of dealing with the problem by issuing as a supplement to the ordinary accounts of the holding company a consolidated balance sheet and profit and loss account. That this difficulty is very real is shown by the fact that a well known company which in previous years had issued a consolidated balance sheet, has had to abandon the practice in regard to the year 1931 owing to the fluctuating currency position which compelled the management to deal separately with each company in the group until rates of exchange have again become stabilised. Mr. Morgan is quite correct in his view that the consensus of opinion in the accountancy profession seems to be that the situation in regard to subsidiary companies is not satisfactory. At the same time there are many difficulties to be contended with, and these difficulties were probably in the minds of the Greene Committee in making their recommendations which resulted in the amending Act of 1928 which was incorporated in the consolidated Companies Act of 1929. Mr. Morgan further recognised that banking and similar institutions stand in a different category and that their operations and functions are quite distinctive. It is true, as he pointed out, that the share capital of banks amounts to only a small percentage of their liabilities to depositors and creditors. At the same time the importance of the capital of these institutions must not be under-estimated, because most bank shareholders fully recognise that in the event of catastrophe they would be required to meet a considerable uncalled liability on their holdings. There is a good deal to be said for Mr. Morgan's suggestion that in regard to the annual accounts of banks and similar institutions there should be special provisions in the Companies Acts or separate legislation prescribing the form and conditions of such accounts.

It is due mainly to Mr. Morgan's persistent efforts that the whole subject of company accounts has been kept so continuously and prominently before the general public, and the best informed organs of the Press have recognised the valuable services which Mr. Morgan has rendered in this connection.

At the close of his address there was a general discussion, in which several members of the Society took part and expressed their high appreciation of Mr. Morgan's abilities. After the unanimous adoption of the report of the Council and the accounts, a very cordial vote of thanks was given to Mr. Morgan for his services

to the Society during the past three years. As one of the speakers pointed out, the forty-seventh year of the Society which has just closed has been one of unparalleled difficulty to those engaged in industry, commerce and finance. Mr. Morgan has faced the difficulties and responsibilities of his position in an outstanding manner, and in the discharge of his duties as President he has raised the Society of Incorporated Accountants and Auditors still higher in the public estimation.

ENDORSEMENTS BY WAY OF SECURITY.

THE practice of "backing" a bill as surety for an acceptor is tolerably common, and, in the majority of cases, "backers" pay when they are called upon to do so, but occasionally liability is disputed, and on these occasions it is found that the law upon this subject is not as simple and straightforward as it might be.

When a person "backs" a bill he generally places his signature on the back of the bill as if he were endorsing the instrument. In fact, his signature is not an endorsement, as only the payee or an endorsee can endorse. But sect. 56 of the Bills of Exchange Act, 1882, provides that, where a person signs a bill otherwise than as drawer or acceptor, he thereby incurs the liabilities of an endorser to a holder in due course, and the result is that, though the person who "backs" a bill is not an endorser, he incurs the liabilities of an endorser.

From this it follows that, if A draws a bill on B payable to his own order and then endorses the bill, which is subsequently "backed" by C, any holder in due course to whom the bill is negotiated by A can sue the "backer" as if he were a true endorser.

This much is exceptionally clear, but difficulties are at once encountered if the drawer, who is also the payee, instead of negotiating the bill, retains it till maturity.

The difficulty arises because the drawer of a bill cannot normally claim payment from an endorser since, under sect. 55 of the Act, he engages to compensate any endorser who is compelled to pay on the bill. This was the decision in *Steele v. McKinley* (1880), which appears to be one of the earliest cases on the point. A year later, however, in *Wilkinson v. Unwin* (1881), the Court of Appeal laid down the rule that, if it is proved that, apart from the bill, the "backer" has agreed to stand surety for the acceptor, the drawer may sue him as if he were a holder in due course, so that this initial difficulty has been overcome.

Further difficulty was encountered, however, in *Jenkins & Sons v. Coomber* (1898). In this case the defendant agreed to "back" a bill drawn by, and payable to, the plaintiffs. The bill was drawn and accepted and the defendant placed his signature on the back. But he did this *before* the bill had been endorsed by the plaintiffs as payees, and this fact, it was held, released the defendant from liability.

The facts in *Glenie v. Bruce-Smith* (1908) were not materially different. The defendant "backed" a bill, leaving a space *above* his signature in which the payee subsequently placed his endorsement, but in this case the House of Lords held that the "backer" was liable on the grounds that (a) he had agreed to stand surety for the acceptor, and (b) the plaintiff had authority under sect. 20 of the Act to complete the bill by placing his endorsement in the blank space above the defendant's signature.

A further problem arose, however, in *Shaw and Co. v. Holland* (1913). In this case the plaintiffs undertook to supply goods to a company on credit in return for acceptances "backed" by the defendant, who was a director of the company. The bills, drawn payable to the drawers, were accepted and signed on the back by the defendant, but no space was left above his signature. The plaintiffs, therefore, placed their endorsement *below* the defendant's signature, and the Court held that on this account the defendant was not liable.

This decision was, however, virtually overruled by the Court in *Bernadi v. National Sales Corporation, Limited* (1931), in which case it was held that, if the drawer has implied authority to add his endorsement to the bill after it has been signed by the "backer," it is immaterial whether the endorsement appears above or beneath the "backer's" signature.

But even this decision did not finally dispose of the matter, for yet another point was raised recently in *McCall Brothers, Limited, v. Hargreaves* (May, 1932). The facts were very like those in *Shaw & Co. v. Holland* above. The plaintiffs supplied goods to a company which accepted a bill for the price, and this bill was backed by the defendant, a director of the accepting company, and the endorsement of the plaintiffs was added beneath the defendant's signature.

The defendant pleaded that, if it was alleged that he had agreed to stand surety for the acceptors (and admittedly he was not liable unless such an agreement could be proved), his agreement was unenforceable under sect. 4 of the Statute of Frauds, since it was not evidenced by the note or memorandum in writing required by that section as evidence of a contract of

suretyship. There are passages in the judgments delivered in *Steele v. McKinley* above, which appear to support this argument, but Mr. Justice Goddard held that the defendant was liable. The true effect of the defendant's signature was, he said, that he had undertaken all the liabilities of an endorser and had agreed not to have recourse against the drawer, who was also the holder. He was, therefore, liable as an endorser and was precluded from pleading sect. 4 of the Statute of Frauds.

Society of Incorporated Accountants and Auditors.

COUNCIL MEETING.

A meeting of the Council of the Society was held at Incorporated Accountants' Hall on Tuesday, May 24th, when there were present:— Mr. Henry Morgan (President, in the chair), Mr. E. Cassleton Elliott (Vice-President), Mr. R. Wilson Bartlett, J.P. (Newport, Mon.), Mr. R. M. Branson (Leicester), Mr. H. J. Burgess (London), Mr. D. E. Campbell (Wolverhampton), Mr. W. Allison Davies, O.B.E. (Preston), Mr. F. Holliday (Leeds), Mr. Thomas Keens, D.L. (Luton), Mr. Ernest T. Kerr (Birmingham), Mr. Edmund Lund, M.B.E. (Carlisle), Sir James Martin, J.P. (London), Mr. C. Hewetson Nelson, J.P. (Liverpool), Mr. James Paterson (Greenock), Mr. W. H. Payne (London), Mr. W. Paynter (London), Mr. A. E. Piggott (Manchester), Mr. J. Stewart Seggie (Edinburgh), Mr. Percy Toothill (Sheffield), Mr. F. Walmsley, J.P. (Manchester), Mr. R. T. Warwick (London), Mr. E. W. C. Whittaker, J.P. (Southampton), Mr. Richard A. Witty (London), Mr. A. E. Woodington (London), Mr. F. Woolley, J.P. (Southampton), Mr. J. R. W. Alexander, M.A., LL.B. (Standing Counsel), Mr. E. E. Edwards, B.A., LL.B. (Parliamentary Secretary), and Mr. A. A. Garrett M.A., B.Sc. (Secretary).

ELECTION OF PRESIDENT.

Upon the motion of Mr. Henry Morgan, seconded by Mr. Frederic Walmsley, it was resolved unanimously that Mr. E. Cassleton Elliott, London, be elected President of the Society for the ensuing year.

ELECTION OF VICE-PRESIDENT.

Upon the motion of Mr. E. Cassleton Elliott, seconded by Mr. Henry Morgan, it was also resolved unanimously that Mr. R. Wilson Bartlett, J.P., Newport (Mon.) be elected Vice-President of the Society for the ensuing year.

ELECTION OF COMMITTEES.

The following Committees were elected:—

Disciplinary Committee.—The President, the Vice-President, Mr. Arthur Collins, Mr. Walter Holman, Mr. Thomas Keens, Mr. Henry Morgan, Mr. C. Hewetson Nelson, Mr. W. H. Payne, Mr. F. Walmsley, and Mr. E. W. C. Whittaker.

Finance and General Purposes Committee.—The President, the Vice-President, Mr. H. J. Burgess, Mr. Arthur Collins, Mr. Walter Holman, Mr. Thomas Keens, Mr. Henry Morgan, Mr. C. Hewetson Nelson, Mr. W. H. Payne, Mr. G. S. Pitt, Mr. Alan Standing, Mr. R. T. Warwick, and Mr. A. E. Woodington.

Examination and Membership Committee.—The President, the Vice-President, Mr. H. J. Burgess, Mr. Walter

Holman, Mr. H. Morgan, Mr. C. Hewetson Nelson, Mr. W. H. Payne, Mr. W. Paynter, Mr. Percy Toothill, Mr. R. T. Warwick, Mr. Richard A. Witty, and Mr. F. Woolley.

Parliamentary Committee.—The President, the Vice-President, Mr. R. M. Branson, Mr. Arthur Collins, Mr. Walter Holman, Mr. Thomas Keens, Mr. Ernest T. Kerr, Mr. Henry Morgan, Mr. C. Hewetson Nelson, Mr. G. S. Pitt, Mr. E. W. C. Whittaker, and Mr. Richard A. Witty.

Hall Committee.—The President, the Vice-President, Mr. Thomas Keens, Mr. Henry Morgan, Mr. C. Hewetson Nelson, Mr. W. Paynter, Mr. G. S. Pitt, Mr. R. T. Warwick, and Mr. A. E. Woodington.

Articles and Bye-laws Committee.—The President, the Vice-President, Mr. D. E. Campbell, Mr. W. Allison Davies, Mr. W. Paynter, Mr. Alan Standing, Mr. Percy Toothill, Mr. R. T. Warwick, and Mr. E. W. C. Whittaker.

District Societies Committee.—The President, the Vice-President, Mr. R. M. Branson, Mr. D. E. Campbell, Mr. W. Allison Davies, Mr. F. Holliday, Mr. Walter Holman, Mr. Thomas Keens, Mr. Ernest T. Kerr, Mr. W. Paynter, Mr. R. T. Warwick, Mr. Richard A. Witty, and Mr. F. Woolley.

EXAMINERS.

The following were elected Examiners of the Society:— Sir Josiah Stamp, G.B.E., Sc.D., LL.D., D.Sc., Mr. W. H. Coates, Ph.D., LL.B., B.Sc., Mr. C. Hewetson Nelson, J.P., F.S.A.A., Mr. W. Norman Bubbs, F.S.A.A., Mr. Richard A. Witty, F.S.A.A., Mr. Walter Holman, F.S.A.A., Mr. Roland Burrows, K.C. Mr. Clement C. Gatley, M.A., D.C.L., LL.D., Mr. E. T. Allen, M.A., Mr. Charles B. Milne, K.C., M.P., and Mr. J. Malvern White, B.A., LL.B.

A number of new members were elected and other business transacted.

Conference of Representatives of Branches and District Societies.

The Annual Conference of representatives of Branches and District Societies with members of the Council was held at Incorporated Accountants' Hall on May 25th, when the following were present:—

Mr. E. Cassleton Elliott (President) in the chair, Mr. R. Wilson Bartlett (Vice-President), Mr. Thomas Keens (Chairman of the District Societies' Committee), Mr. Henry J. Burgess, Mr. W. Allison Davies, Mr. Frederick Holliday, Mr. Walter Holman, Mr. Edmund Lund, Mr. James Paterson, Mr. Wm. Paynter, Mr. A. E. Piggott, Mr. Percy Toothill, Mr. Frederic Walmsley, Mr. R. T. Warwick, Mr. Richard A. Witty, Mr. Donald H. Bates (North Staffordshire District Society), Mr. D. Tilford Boyd (Belfast District Society), Mr. J. Paterson Brodie (North Staffordshire District Society), Mr. H. E. Colesworthy (London and District Society), Mr. T. W. Dresser (Yorkshire District Society), Mr. Alexr. Hannah (Liverpool District Society), Mr. Donald V. Hayden (East Anglian District Society), Mr. Norman E. Lamb (South Wales and Monmouthshire District Society), Mr. W. T. Manning (Leicester District Society), Mr. John W. Mee (Nottingham District Society), Mr. T. O. Morgan (Swansea and South-West Wales District Society), Mr. W. Bertram Nelson (Liverpool District Society), Mr. Halvor Piggott (Manchester District Society), Mr. G. Roby Pridie (London Students' Society), Mr. H. Reynolds (Bradford District Society), Mr. J. W. Richardson (Sheffield District Society), Mr. J. Scott-Moore (London and District Society), Mr. H. Harper Smith (East Anglian District Society), Mr. Percy G. Stenbridge (Birmingham District Society), Mr. Joseph Stephenson (Manchester District Society), Mr. J. Telfer (Newcastle-on-Tyne District Society), Mr. E. J.

Waldron (South of England District Society), Mr. A. J. Walkey (Irish Branch), Mr. Percy H. Walker (South Wales and Monmouthshire District Society), Mr. S. I. Wallis (Nottingham District Society), Mr. F. A. Webber (West of England District Society), Mr. R. A. Wetherall (Swansea and South-West Wales District Society).

An important agenda of business was discussed.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following additions to, and promotions in, the Membership of the Society have been completed since our last issue:—

ASSOCIATES TO FELLOWS.

BIGG, WALTER WILLIAM, F.C.A. (Wilson, Bigg & Co.), Pomeroy House, 28A, Basinghall Street, London, E.C.2, Practising Accountant.

DUNCOMBE, WILLIAM EWART (Rance & Duncombe), 34, St. Peter's Street, St. Albans, Practising Accountant.

GILLMAN, ARTHUR CHARLES (Painter, Mayne & Walker), 103, Cannon Street, London, E.C.4, Practising Accountant.

ROOKE, WESLEY EDWIN (Rooke, Holt & Co.), Empire House, St. Martin's-le-Grand, London, E.C.1, Practising Accountant.

FELLOW.

GLOVER, PATRICK WILLIAM ROBERTSON (Barrow, Wade, Guthrie & Co.), 120, Broadway, New York, U.S.A., Practising Accountant.

ASSOCIATES.

ATTENBOROUGH, PHILIP, A.C.A. (Clarke, Attenborough and Co.), Castle Gate Chambers, 34, Castle Gate Nottingham, Practising Accountant.

BASU, BHUPENDRA NATH, B.A., formerly Clerk to S. N. Mukherji, Old Post Office Street, Calcutta, India.

CLAYTON, EDGAR FRANCIS, B.Sc., H.M. Inspector of Taxes (1st District), Revenue Chambers, Ipswich.

COOK, JOHN DAVIDSON, "Highfield," Huddersfield Road, Barnsley (formerly Articled Clerk.)

CRANE, MAURICE LESLIE, Clerk to Bradfield, Dominy and Flint, Friary Chambers, Friar Lane, Nottingham.

DELBIDGE, JOHN SETON, B.Com. (Curtis & Delbridge), 117, St. George's Street, Cape Town, South Africa, Practising Accountant.

FEAR, FRANK ERLE, formerly Clerk to E. R. Bradley, 584, Christchurch Road, Boscombe, Bournemouth.

GIBBARD, RICHARD EDWIN, Clerk to H. W. Pratt, Church Way, Silver Street, Wellingborough.

GREGORY, STANLEY VERNON, Clerk to A. & E. Law and Co., Kingscourt, Bridge Street, Walsall.

HAYWARD, DENNIS, formerly Clerk to W. A. J. Ling, 3/4, Great Winchester Street, London, E.C.2.

HILL, FREDERICK GEORGE, Clerk to Wm. Fortune & Son, Collingwood House, Church Square, West Hartlepool.

JACKSON, EDWARD CECIL, Clerk to Carter & Co., 33, Waterloo Street, Birmingham.

LANGE, STELLA GRACE, (Homersham & Co.) 100, St. Clement's House, Clement's Lane, Lombard Street, London, E.C.4, Practising Accountant.

NICHOLLS, ARTHUR CHARLES, Finance Department, Bedfordshire County Council, Shire Hall, Bedford.

NORCROSS, ROGER, A.C.A. (Gentle, Bayliss & Co.), 45, South Street, Chichester, Practising Accountant.

PACKER, FRANK, formerly Clerk to W. B. Gurney, London and Lancashire House, 148, St. George's Street, Cape Town, South Africa.

PEARSON, GEORGE BARNES, Clerk to Charles G. Clark, 64, Basinghall Street, London, E.C.2.

PLEWS, PHILIP HENRY, Clerk to Allan, Charlesworth and Co., 4, Fenchurch Avenue, London, E.C.3.

ROBOTTOM, AUSTIN LLOYD, Clerk to E. R. Syfret & Co., Burg and Wale Streets, Cape Town, South Africa.

SHAW, BENJAMIN, Clerk to Nathaniel Duxbury, Son & Co., 27, Richmond Terrace, Blackburn.

THOMPSON, HAROLD, Clerk to H. Tindall, Sherwood & Co., Curry's Chambers, 115, High Street, Stockton-on-Tees.

ACCOUNTANTS' PARTNERSHIP DISPUTE.

In the Chancery Division last month, before Mr. Justice Maugham, the hearing was concluded of an action brought by Mr. John Glynne Hopkins, Chartered and Incorporated Accountant, of Middlesbrough, against Mr. Jasper Collier Hood, for dissolution of the partnership between them and for an account of their partnership dealings.

The partnership was for three years from January 1st, 1929, and the main dispute was whether the plaintiff was entitled to the return of £950 paid by him in respect of a premium of £1,000 payable by him as consideration for the amalgamation of his business with that of the defendant, or whether, as the defendant contended, the premium was returnable only if there was a dissolution by mutual agreement and that the partnership terminated by effluxion of time on December 31st last.

Mr. Hopkins, giving evidence, said that towards the end of August last he discovered certain irregularities by his partner, who admitted that he had not accounted to the firm for fees received from clients, and that he had converted to his own use moneys belonging to clients which should have been applied to the payment on their behalf of rates, mortgage interest and income tax. It cost him (witness) over £600 to clear up these irregularities. It was obvious that the partnership could not continue, he said, and on September 1st he wrote the defendant asking him to terminate the partnership on the following day. The defendant could not see eye to eye with him as to the terms on which the partnership should be dissolved, and the business was continued with a view to holding the clients together while they settled their domestic squabble. In his view the partnership had been dissolved as from September 2nd.

Mr. Norman Daynes, K.C., for the defendant, said his client recognised that he had been in fault and did not want the plaintiff to lose by it, but thought it would be a great hardship if he had to forfeit the whole £950. He offered to return £60 to the plaintiff.

This offer was not accepted, and later Mr. Daynes said he was willing to leave it to the Judge to say what, in his opinion, would be a fair arrangement. The defendant refused to accede to the plaintiff's demand that he should discontinue practice in Middlesbrough.

His Lordship, having made a suggestion on a slip of paper, which both the parties accepted, said the order would be that the defendant agreeing to return £450 in respect of the £1,000 premium and the plaintiff accepting that offer, the partnership would be dissolved as from that day, and, by consent, Mr. Ellis Hunter, the Middlesbrough representative of the firm of Peat, Marwick, Mitchell & Co., Chartered Accountants, would be appointed to settle the accounts between the parties from the commencement of the partnership.

The defendant was ordered to pay the costs of the action and of a counterclaim brought by him.

The Society of Incorporated Accountants and Auditors.

47th ANNUAL GENERAL MEETING.

THE 47th Annual General Meeting of the Society was held at Incorporated Accountants' Hall, Victoria Embankment, London, on Tuesday, May 24th. Mr. HENRY MORGAN (President of the Society) occupied the Chair, and was supported by Mr. E. Cassleton Elliott (Vice-President) and the following members :—

Mr. W. J. Back, Mr. E. Baldry, Mr. H. C. Banting, Mr. R. Wilson Bartlett, J.P., Mr. Donald H. Bates, Mr. H. F. Bence, Mr. Frank H. Bennett, Mr. Reginald Bourne, Mr. R. M. Branson, Mr. F. Sewell Bray, Mr. J. Paterson Brodie, Mr. W. Norman Bubb, Mr. Henry J. Burgess, C.C., Mr. H. E. Colesworthy, Mr. D. E. Campbell, Mr. P. J. Crawley, Mr. Arthur Collins, Mr. J. H. Croydon, Mr. W. Allison Davies, O.B.E., Mr. Reginald Davis, Mr. T. W. Dresser, Mr. W. F. Edwards, Mr. M. J. Faulks, Mr. D. F. Goode, Mr. L. H. Graves, Mr. Alexander Hannah, Mr. Fredk. Holliday, Mr. S. W. Hanscombe, Mr. Walter Holman, Mr. S. A. C. Keelan, Mr. Thomas Keens, D.L., Mr. Harry C. King, Mr. Ernest T. Kerr, Mr. Norman E. Lamb, Mr. Edmund Lund, M.B.E., Mr. J. P. Logan, Sir James Martin, J.P., Mr. John W. Mee, Mr. F. W. E. Morgan, Mr. T. O. Morgan, Mr. M. Mous-tardier, Mr. C. Hewetson Nelson, J.P., Mr. W. Bertram Nelson, Mr. A. Nettleton, Mr. H. T. P. Nichols, Mr. James Paterson, Mr. Halvor Piggott, Mr. W. H. Payne, Mr. J. A. Plumptre, Mr. W. Paynter, Mr. John Potter, M.P., Mr. Arthur E. Piggott, Mr. G. Stanhope Pitt, Mr. G. Roby Pridie, Mr. Wilfred A. Read, Mr. H. Reynolds, Mr. J. Stewart Seggie, Mr. R. W. Selley, Mr. W. A. Sparrow, Mr. R. H. Stafford, Mr. P. G. Stembridge, Mr. W. Strachan, Mr. Percy Toothill, Mr. J. Turner, Mr. H. H. Vincent, Mr. Frederic Walmsley, J.P., Mr. Percy H. Walker, Mr. S. I. Wallis, Mr. R. T. Warwick, Mr. H. E. White, Mr. E. W. C. Whittaker, J.P., Mr. G. Wilder, Mr. R. A. Witty, Mr. G. T. Williams, Mr. A. E. Woodington, Mr. J. Willott, Mr. F. Woolley, J.P., Mr. J. R. W. Alexander, M.A., LL.B. (Standing Counsel), Mr. E. E. Edwards, B.A., LL.B. (Parliamentary Secretary), and Mr. A. A. Garrett, M.A., B.Sc. (Secretary).

The SECRETARY read the notice convening the meeting, also the Minutes of the 46th Annual General Meeting, held in May, 1931, and the report of the Auditors.

The PRESIDENT moved that the Report and Accounts for the year 1931, which had been printed and circulated amongst the members, be taken as read. This was agreed to and the President then delivered his address.

President's Address.

I have pleasure in moving the adoption of the 47th Annual Report and Accounts of the Council. The Report itself is a brief record of substantial progress in the Society's own affairs, but the year 1931 was marked by dynamic changes in our national fortunes which had a profound effect on business and professional life. In addition, problems arose of a peculiar and serious import to the profession. I will refer to these at a later stage of my speech.

Among those who have passed from us during

1931 I would mention the name of Mr. F. Ogden Whiteley, O.B.E., of Bradford. Mr. Whiteley was a valued member of the Council, and his retirement in 1927, necessitated by considerations of health, was a cause of much regret. More recently we have heard of the death of another former member of the Council, Mr. W. T. Walton, of West Hartlepool. Mr. Walton became a member of the Society a few months after its foundation, and remained in active practice until this year.

In spite of the difficulties of the past year the activities of the Branches and District and Students' Societies were maintained at a high level. My Vice-President and I have had the pleasure of being entertained by the Branches and District Societies and during my Presidency I have kept in touch with the District organisations, either by personal visits or by meetings in London.

I express the acknowledgments of the Council for the continued vigilance and interest of the Committees of the Society in the British Dominions.

THE SOCIETY'S EDUCATIONAL WORK.

The work of professional education throughout the country has been advanced by the voluntary services of officers of District Societies, by members of the Council and by visitors who have been good enough to contribute to the Society's educational activities. As all candidates are now members of a Students' Society, I would invite each of them to implement membership by active interest in the meetings and lectures.

The number of candidates for the examinations indicates the esteem in which the profession of accountancy is held by the public as offering a promising career for their sons and daughters. This attitude is not without its problems, having regard to the large number of Incorporated Accountants who, despite the stringent examination tests, have qualified in recent years. I am aware of the difficulties, and I have enlarged on this subject on a previous occasion, but I am not prepared to judge the position solely from the trend of affairs during the last three years. When the tide of depression has ebbed, as surely it will, I confidently believe that the opportunities, whether in the profession or in the sphere of commerce and industry, will justify the efforts and sacrifice made by those who obtain the qualification of "Incorporated Accountant."

In regard to the work of the examinations, I would express the thanks of all the members to the Examination and Membership Committee for their painstaking work. No less than fifty meetings of the Examination and Membership Committee were held during 1931. The work of that Committee may not figure in the public eye, but upon it largely depends the maintenance of the standards of the Society.

INTERNATIONAL CONGRESS ON ACCOUNTING, 1933.

During the last decade we have witnessed the development of accountancy as an international force in industry, commerce and finance. In fulfilment of a previous invitation given by the profession in Great Britain and Ireland, an International Congress will be held in July next year. The Executive Committee of the Congress are now formulating a programme to provide for the discussion (within reasonable compass) of major problems of our profession. We desire to reciprocate the hospitality extended to us by the profession in Holland in 1926 and by the profession in America in 1929, at previous International Congresses.

ACCOUNTS.

The accounts for the year are satisfactory and embody a policy of economy with wise spending. A number of securities included in last year's balance sheet have been sold and the investments consolidated in a shorter list. Most of the investments realised were held in small amounts and had been on the Society's books for a considerable period. A loss was incurred on realisation, which has been written off, but at this date a substantial portion of that loss has been recovered.

SOCIETY'S DINNER IN THE GUILDHALL.

I wish to express the cordial thanks of the Society to the Lord Mayor and Corporation of London for the use of the Guildhall for the Society's dinner in April last, when I had the honour to preside over a large and distinguished gathering. It was a happy coincidence that our principal guest, the Lord Mayor, and the Chairman of the London County Council are practising accountants. The complete success of the function gave general satisfaction and the Guildhall dinner will be memorable in the records of the Society and in my experiences as your President. The function, appropriately held in the City of London, was representative of the whole life of the Society and received the support of members both in London and throughout the country.

COMPANY ACCOUNTS.

Twelve months ago the proceedings had just been commenced in connection with the affairs of the Royal Mail Steam Packet Company, of which it can truly be said that there has been no case within recent years which has raised more important issues and has so greatly agitated the accountancy profession, not only in this country but throughout the world. That case gave prominence to grave weaknesses both in the law and practice in regard to the published balance sheets and accounts of public companies. As members will be aware, your Council appointed a Committee to consider and to report whether in their opinion any amendment of the law was deemed necessary, and what, if any, alterations of a voluntary character may be considered desirable in the compilation of company accounts and their certification by professional auditors.

The Report of the Society's Committee.

The Report of that Committee was adopted by your Council and published four weeks ago and issued to members.

In the belief that it may be of interest to members, I propose to discuss certain of the recommendations of the Committee, although in doing so I ought to say that my views are given on my own responsibility and do not necessarily reflect the opinions of my colleagues on the Committee. In the first place I would emphasise the adherence of the Committee to the conclusions arrived at by the Company Law Amendment Committee in 1926, that the great majority of limited companies, both public and private, are honestly and conscientiously managed. Our Committee recommended that the Government should appoint a Departmental Committee to consider amending legislation and indicated certain provisions relating to the profit and loss account and balance sheet that should be included therein.

The Profit and Loss Account.

The first one was that the profit and loss account should show the true balance of profit or loss for the period covered by such account. The Companies Act of 1929 omits to define the form and contents of the profit and loss account—as it does in the case of the balance sheet—and fails to indicate the function it should serve. It cannot logically be contended that the profit and loss account is not intended to show the profit or loss, as the case may be, during the period it is expressed to cover. Many leading authorities argue that, in view of the great variation in the nature of the businesses carried on by joint stock companies, it would be extremely difficult, if not impossible, to lay down any definite rules as to the extent and nature of the information to be disclosed in profit and loss accounts. This is undoubtedly true, and the adequacy of the information disclosed must, I think, remain largely a question as between directors and their shareholders. I maintain, however, that there should be no deviation from this fundamental principle, that the true balance of profit or loss (arrived at according to sound accountancy principles) should be clearly disclosed. It is the fact that in the case of many public companies it is impossible to ascertain from the profit and loss account the actual amount of the profit or loss for the period covered by the accounts.

The second recommendation of the Committee related to the disclosure of debits or credits abnormal in character or extraneous in their nature to the ordinary transactions of the company, together with any reserves from a previous period no longer required. These are obvious requirements if the profit and loss account is to show the real result for the period, and I think the profession generally is in accord with this view.

The third recommendation dealt with free reserves, which, when undisclosed, are variably described as "Inner," "Hidden," or "Secret." Reference was made to the provisions for estimated losses or expenses not definitely ascertainable at the date of the making up of the accounts, but to which it is sound and proper to have regard in calculating the profit or loss. "Secret" reserves in fact result from an under-statement or non-dis-

closure of profit. Their existence in the balance sheet, and their creation or utilisation in connection with the profit and loss account, are generally inconsistent with full and correct accounts.

Holding Companies' Accounts and Subsidiary Companies.

The last recommendation dealt with subsidiary companies. The question of the holding and subsidiary company presents one of the most difficult problems with which auditors and those responsible for the direction and management of public companies have to deal. The principle of the subsidiary company in very many respects possesses great advantages. At the same time it is capable of serious abuse. I am not, however, at this time concerned with this aspect but with the proper treatment of subsidiary companies in the accounts of the holding company. It may be said that subsidiary companies are generally formed in cases where a company's business is widely distributed, to carry it on in different parts of the world or even of the country; where a company carries on a variety of businesses, to divide them up into various sections; or where the company's business is of a productive character, to provide a selling organisation. Such subsidiary companies are in fact, although not in law, departments or branches of the holding company's business, and, therefore, their profits are capable of regulation according to the basis which is adopted for calculating the amounts charged or credited, in respect of transactions between the holding company and its subsidiaries. As an instance, in the case of a manufacturing company which disposes of its products through a subsidiary company, the profits of the latter must depend on the basis upon which the prices of goods supplied by the manufacturing company are fixed. It follows that unless the profits or losses of subsidiary companies are brought into account, the profit and loss account of the holding company would not show the real result for the year or other period.

The formation of subsidiary companies has very much increased in recent years. I have examined the reports and accounts published since the beginning of this year of 414 representative commercial and industrial companies. In 270 cases, or 65 per cent. of the whole, the balance sheets include interests in one or more subsidiary companies. Of these 270 companies, in only 58 cases, or 21 per cent., is it clearly shown by the accounts that the full results of subsidiary companies have been taken into account in arriving at the profit or loss of the holding company. In most other cases, to comply with sect. 126 of the 1929 Act, a statement is appended indicating that the profits of subsidiary companies are included in the profit and loss account only in so far as they have been declared as dividends.

The recommendation of our Committee was that in so far as profits or losses of subsidiaries have not been brought into account in the profit and loss account of the holding company there should be stated, on the face of the accounts of the holding

company, the balance of the ascertained profits or losses of such subsidiary companies. Personally I consider that the most satisfactory method is to draw up the balance sheet and profit and loss account in such a form as to incorporate the results of subsidiary companies. An effective method of dealing with this problem, but one which is difficult to apply in certain circumstances, is to publish as supplementary to the balance sheet and profit and loss account of the holding company, a consolidated balance sheet and profit and loss account. This method is explained by Sir Gilbert Garnsey, in his book, "Holding Companies and their Published Accounts," which is recognised as one of the most valuable contributions to accountancy literature. Only in a very small percentage of holding companies, however, do we find that this principle of consolidated accounts has been adopted, probably for the reasons that it involves extra and expert accountancy work, especially in cases where any substantial part of the shares in subsidiary companies are held by outside shareholders, or where the accounting period of the subsidiary companies does not coincide with that of the holding company, that it may necessitate the disclosure of more information than directors may consider desirable in the interests of the company; and that, interesting as such accounts may be to students of accountancy and experts in company matters, to the ordinary shareholder the complicated and extensive nature of such accounts is apt to be somewhat confusing. In my opinion it is necessary that balance sheets and profit and loss accounts should be drawn up in a form which will show clearly that the profits or losses of subsidiary companies have been brought into account. Very frequently the profit and loss account contains on the credit side one aggregate item such as "Profit on trading, including dividends from subsidiary companies and other investments, interest, &c., and after charging depreciation and all trading expenses." I consider that a preferable form would be, "Profit on trading, including the trading results of subsidiary companies, dividends on other investments, interest, &c., and after charging depreciation and all trading expenses." It would be necessary to deduct from or add to the total the difference between the net trading results and the actual dividends declared, since it is only the actual dividends of subsidiary companies which in law are available for distribution as dividend of the holding company.

With regard to the balance sheet, I consider that there should always be included on the liabilities side the amount of the undistributed profits of subsidiary companies, for the reason that such undistributed profits are almost identical with the undistributed profits of the holding company. It requires only the mere formality of the passing of a resolution by the subsidiary company to bring such undistributed profits to the credit of the holding company's profit and loss account. The omission from balance sheets of the amount of the undistributed profits of subsidiary companies is the most

common and, in my opinion, one of the most unsatisfactory types of "Secret" reserves. You have, stored away in the accounts of the subsidiary companies, undisclosed profits which can at any time be drawn upon to improve the result shown by the profit and loss account of the holding company, for the statement that profits of subsidiary companies have been included in the accounts to the extent of dividends declared, need not imply that the whole of such dividends have been earned in the year in which they are declared and credited. On the assets side of the balance sheet the amount of the undistributed profits should be shown as an addition to the value of the holding company's interest in subsidiary companies. This is in accordance with sound accountancy principles, since if a subsidiary company's profits are not distributed, the value of the shares is correspondingly increased.

The consensus of opinion in the accountancy profession seems to be that the situation in regard to subsidiary companies is unsatisfactory. As we all know, the 1929 Act contained extensive provisions as to the minimum information to be included in companies' balance sheets. The subsidiary company provided the counter—and a very effective counter—to this enactment for the protection of shareholders, for it enabled the holding company to withhold information regarding that part of its property or assets represented by its interest in subsidiary companies. Of the 270 holding companies to which I have previously referred, in 28 cases the interests in subsidiary companies amount to more than the whole of the issued share capital, whilst in 15 other cases such interests amount to more than 75 per cent. and in 36 other cases to more than 50 per cent. of the issued share capital.

Banking and Similar Institutions.

The Report referred to certain difficulties which must arise in endeavouring to give effect to the recommendations of the Committee in the case of banking and similar institutions. In my opinion, as regards their published accounts, these companies stand in a different category and their operations and functions are quite distinctive. They are the foundation of our economic and financial structure. How vital in the national interests is the maintenance of their stability has been amply demonstrated by the events of the last twelve months. The interests of shareholders are small compared with those of depositors and other creditors, for according to the balance sheets of the five biggest banks, at the end of last year, the total issued share capital amounted to only about 4 per cent. of their liabilities to depositors and other creditors. Special considerations obtain as to the form and contents of their balance sheets and accounts, which do not apply in the case of industrial, commercial and other classes of companies. I maintain that as regards the annual accounts of banks and similar financial institutions there should be special provisions in the Companies Acts or separate legislation as in the case of assurance, railway, electric lighting and gas

companies, where special Acts have been passed prescribing the form and contents of their accounts.

Amending Legislation Proposed.

Our Committee refrained from making any recommendations for alterations of a voluntary character in the compilation of company accounts or their certification by professional auditors, since in dealing with such alterations auditors might be placed in a difficult position in regard to the law as it now stands. The only effective action must be by amending legislation. Representations as to the need for revision of the Companies Acts, by reason of the course of events during the last four years, have recently been advocated in influential quarters, and I can only hope that at no distant date the Government will take action. Speaking generally, it cannot be said that published accounts do not conform to the existing law and a Departmental Committee is required to consider what amending legislation is necessary.

My period of office as President of the Society will shortly come to an end. I shall look back on its work and responsibilities with pride and with pleasure. The Society has disposed of some difficult problems to which the united labours of the Council were devoted. Simultaneously the constructive work of the Society in regard to its organisation has made continuous progress. In my work as President I have enjoyed the friendship and unqualified support of all my colleagues on the Council, of the Presidents and Officers of District Societies, and of members throughout the country.

I shall hand over office to my successor with confidence in the achievements of the Society and in its future work, which will have my complete co-operation.

It is my fervent hope that when my successor addresses you from this chair prosperity will have returned, and that the country will reap the reward of the prolonged and intense sacrifices which all classes have been called upon to bear. Whatever solutions may be sought, in my view a return of general confidence in this country, in the British Dominions and throughout the world is an indispensable condition to the prosperity which we so eagerly desire. In its efforts to this end, H.M. Government will receive our wholehearted support. (Applause.)

I have pleasure in formally moving that the Report of the Council and the accounts for the year 1931 be adopted, and I will ask the Vice-President to second it.

Mr. E. CASSLETON ELLIOTT (Vice-President) formally seconded the resolution.

Discussion.

Mr. ALEXANDER HANNAH (Liverpool) said he was sure they were all greatly indebted to the President for the amount of time and effort he had given to the affairs of their Society during his period of office, culminating in his address to them that day, from which they all stood to benefit so much individually. He thought they should also be grateful to those members of the Council

appointed to consider the matter put before them in the President's address and should congratulate them on the approval with which their recommendations had been received by the Press and the public. Although comparison was odious, it was difficult to restrain one's self from a comparison of that constructive report with the Opinion of Counsel taken by their sister Society. There was one thing in that Opinion that they were in agreement upon, namely, the auditors' responsibility for the correctness of the profit and loss account. The Opinion suggested that it would be incumbent upon the auditors to draw the attention of shareholders to any feature which, in their view, involved anything of an improper or misleading character. His (the speaker's) training might have been all wrong, but he must confess that it would never have occurred to him to take Counsel's Opinion on that point. He deprecated the fetish that the shareholder had got to be managed—that it would not do to let others in the trade see much of what the business was doing. That had led them into more difficulties than anything else. Most of that had been done with excellent intentions, but whatever one might say of it, it had had the result of withholding from the shareholder and the investor the true state of the company's affairs. So long as they were tucking away no harm might come to the auditor, as no one was suffering a loss, but it was a different matter when they had to take away from those reserves to help a lean year. Sir Josiah Stamp had told them where things were heading in the paper which he gave to their Society at its Conference in Liverpool some years ago. He said: "Think of the economic conception of capital as distinct from income, and then deliberate upon the sorry figure that is cut in the light of it by your modern fetish of a 'safe' or 'sound' balance sheet, which lies in almost every line and yet is approved by you because it over-states no assets and under-states no liabilities, while it has valuable premises written down to negligible figures and reserves hidden in innumerable places, or profits 'held up' and 'tucked away.' 'The truth, the whole truth, and nothing but the truth,' cannot be derived from the modern balance sheet, so vaunted for its prudence, but prudence is just as possible without departing from what a balance sheet ought to be—a faithful record of the employment of the total capital invested in the business, whether as an original outlay or retained profits, from which the true rate of profit on invested capital can be determined. Has the shareholder who wishes to sell his holding no rights as to some real knowledge of the value of what he is selling?" It seemed to him (the speaker) a terribly difficult thing to legislate upon, and although it was necessary for them to have some legislative guide to the scope and limitation of their duties as auditors, he felt that their reputation and the great safeguard to the public and the investor depended upon the high standard of interpretation they should put upon them—that it was their duty to see that the interests of the shareholders by whom they were appointed were fully protected—and, with that in view, to educate boards of directors towards the conviction that the profit and loss account and the position of the company should be made intelligible to the shareholder and, during the process of that education, to see that the use of secret reserves was not abused, and, above all, not to be afraid of losing the audit by giving directors their views. No accountant ever lost business in the long run by such a course of conduct. In conclusion, he ventured to say that so long as they had at the head of their Society men like Mr. Morgan, who had the courage of his convictions and did not hesitate to put them into plain language so that he who ran might read, they could look with calm

confidence to the future of the profession in general and to the future of their Society in particular. (Applause.)

Mr. E. BALDREY (London) said that before commenting on the very important matters raised by the President in his address, he would like to assure him that the evidence he gave last June in the historic and very difficult *Royal Mail* case was read with interest and approbation by the whole profession. He had played a man's part and none of them was lacking in appreciation. Towards the end of his remarks the President alluded to the much-longed-for return of confidence. It was undoubtedly lack of confidence, arising from innumerable and varied causes both political and economic, that was still revolving the vicious circle of dwindling international trade and commercial inactivity. How could that confidence be restored? Well, one thing was most certainly essential—that published accounts of public companies should disclose the truth, the whole truth, and nothing but the truth. He would like to assure the President and the Council that in taking the attitude they had taken in those matters they were not ploughing a lonely furrow. They had, he believed, not only the support of their own members, but also that of their professional brethren of the Institute, and no doubt of all others who professed and called themselves accountants. He was sure, too, that the Press of this country was behind such tendencies, and it was perhaps not unfitting that they should all recognise and be grateful for the extraordinarily high standard which the Press here adopted in matters financial. Of course, they could all think of a hundred and one minor practical difficulties which must beset the path of anyone who attempted to regularise by legislative action such matters as the form of profit and loss accounts or the treatment of subsidiary companies, but faint heart never won fair lady, and he for one gave the President's suggestions unequivocal support. It would be a relief to all of them when that hoary jest about abridging profit and loss accounts so that competitors should not get to know too much was dead for all time. In saying all this one did not want to be misunderstood. Directors of public companies had controlled and administered untold millions of shareholders' money for many years, and had earned very rich rewards for those who had trusted them. Equally he believed the practice of accountancy in this country to be the envy of the world, and justly so. But all the same, the profession must move forward or it would move backward, and it was in trying times like the present that these things could and ought to be achieved. (Cheers.)

Mr. J. PATERSON BRODIE (Stoke-on-Trent) said he would like to convey to the President the gratitude of the whole of their members in Stoke-on-Trent and the surrounding district for the support and encouragement they had received from him during the past year, and especially for his attendance, and that of Mr. Keens and other members of the Council, at their annual dinner a few months ago. As to the main subject matter of the President's address, he thought that as a body they must appreciate the persistent and consistent way in which Mr. Morgan had endeavoured to impress upon the public the necessity for an amendment of the Companies Acts in order to get a true profit and loss account of holding companies. The question as to whether holding companies with their groups of subsidiaries scattered all over the country was in itself a good thing for industry or not was a moot point; but it was a point that deserved consideration and he felt that to some extent the investing public were becoming shy and distrustful because the most meagre information only was given to them in the published accounts. He was certain that a fuller and

freer disclosure of the workings of those various companies would give a greater amount of confidence to the investing public. He had the greatest possible pleasure in supporting the suggestion that amending legislation was necessary in order to bring that about.

Mr. J. P. LOGAN (Bloemfontein, South Africa) wished to thank the members on behalf of the profession in South Africa for the help they had given them in their efforts to maintain the highest standard of accountancy that they had been taught in this Society. Many of the leading men in South Africa were Incorporated Accountants; they had chosen to be such because of the reputation of members of the Society. He was particularly glad to be present on that occasion because he regarded himself as a favoured member of the Society. Thirty years ago they gave him a diploma with which to go and find his life's work. He went to South Africa and found in the city he went to that people were restricting their choice of men to Chartered Accountants. He explained that to Sir James Martin, who persuaded a certain Council there that what they needed was an Incorporated Accountant—a young man—and he got the job. (Laughter.) For that reason he felt particularly grateful to the Society, and he had endeavoured to encourage the young men in his office to become qualified members of the Society. There was one word more he would like to say. They were endeavouring in South Africa to keep the Society's standards at a high level, but they were passing through very hard times, and he hoped that the Society would show their members every consideration. (Cheers.)

Mr. W. NORMAN BUBB (London) said that when he entered that hall he had many matters in his mind that he intended to raise, but after the President's very exhaustive statement and the remarks made by previous speakers, most of his points had vanished into thin air. He was sure they would all agree as to the debt they owed to the Council for appointing the Committee in November last to go into the question of amending the Companies Acts. It was the investing public who were being considered at the present time. Limited liability companies had many advantages but they also had disadvantages, and there was sometimes an inclination to ignore their responsibilities. The same remark applied to those controlling holding companies and their subsidiaries. A holding company was merely required to show on its balance sheet in a general way how the profits or losses of subsidiaries had been dealt with, and whether there were any loans by or to the holding company. What opportunity had the ordinary public of forming any opinion of the value of an investment when such a bare statement was given? They knew, of course, that there were many companies that were very well conducted and the legislation of the past had remedied many defects, but there was need for further legislation to remedy other defects which were now apparent. But no legislative enactments would do what was necessary if the right spirit did not prevail. To-day, as in the past, many directors of public companies seemed to ignore the fact that the shareholders were proprietors of the business and were as such entitled to all reasonable information (Applause.)

Mr. JOHN POTTER, M.P. (Blackpool), said it gave him very great pleasure indeed to be present at that meeting—the 47th annual meeting of the Society. He felt proud to be a member of it and his enthusiasm for the Society did not diminish as he grew older; on the contrary, it became keener and keener. When he looked around him and saw such a marvellous building as they were then assembled in, and thought of the old days, he was forced to the conclusion that they owed a great

deal to the Council and to those who had preceded them for the many sacrifices they had made in order to advance the interests of the Society in the public estimation. He felt proud indeed when he had the privilege of attending that wonderful banquet at the Guildhall to which the President had alluded. On that occasion he looked around him and when he saw the eminent gentlemen there he was filled with pride at being a member of the Society. He was impressed on that occasion by the reception given to their greatly esteemed and respected friend, Sir James Martin. (Applause.) If there was one outstanding thing about Sir James Martin it was his wonderful integrity. The Society of Incorporated Accountants stood very high in the estimation of the Houses of Parliament; indeed it had been a great revelation to him to find how highly the Society did stand in the eyes of the Government. Any member of that Society was looked upon as a man not only of the highest integrity, but as a man of the greatest proficiency. There never was a time in the history of this country when accountants had greater need to assert their independence and to see that the balance sheets of companies to which they attached their signatures disclosed the fullest information concerning the transactions of those companies. He was very pleased indeed to see that the Council had taken a strong stand in that matter. He congratulated the President upon the activities he had pursued during his term of office; he also congratulated the Society on the wonderful position it had attained, and he hoped it would go on making even greater strides than it had done in the past. (Cheers.)

Mr. PERCY WALKER (Cardiff) said he always looked forward to hearing the President's address, and on this occasion Mr. Morgan had given them much food for thought. He was particularly glad that he struck a note of optimism with regard to trade, because he happened to come from a district where trade was practically non-existent. They were faced with the problem of having many qualified men who were without employment and it was a very real problem indeed. They appreciated very much what was now being done by the Council and the Secretary in this connection. He had been waiting all the afternoon thinking that some member would make reference to the report and accounts. He noticed that the revenue of the Society had increased to £28,900 and that they had doubled their surplus.

Mr. S. W. HANSCOMBE, M.B.E. (Liverpool), said he wished to express his gratitude to the President and Council for what they had done. He also wished to refer to the accounts, because he found that whereas in 1929 they were indebted to their bankers to the extent of £4,862, last year they were in credit to the extent of £4,000 odd. The accumulated fund was now nearly £41,000, and the debenture redemption fund amounted to £4,300.

THE PRESIDENT said he need hardly say that he had listened with very great interest and pleasure to the many able speeches which had been delivered. There were a few points, however, with which he had to deal in reply. Mr. Logan referred to the maintenance of the standard of their members. That was an aspect with which the Council were in full agreement, and its intention to maintain that standard, or even to improve it, must be evident to anyone who studied the figures of their examination results. He would also say to Mr. Logan that the Council was fully aware of the many difficulties with which the Society and its members were faced in South Africa, and that so far as it lay within the power of the Council every effort would be made to arrive at a solution of those difficulties. Mr. Walker referred to the question

of the large increase in the numbers of young qualified accountants and the difficult position in which so many of them were placed at the present time in the way of unemployment. It must not be overlooked that the accountancy profession was not the only body which had large numbers of unemployed. Their position was similar to that of others in nearly every line of life throughout the country—indeed, throughout the world—but he believed that when prosperity did return they would see their difficulties in that direction duly solved. Mr. Hanscombe had alluded to the accounts and to the improved liquid financial position as compared with what it was three or four years ago. As they were all aware, the acquisition of that had necessitated the realisation of quite a large part of their investments, and he thought they would all agree that it was sound policy on the part of the Council to again build up those investments so that the Society might have ample funds for whatever line its activities might take. He would like to thank all the speakers for their kind and generous personal references.

The resolution was then put to the meeting by the President and carried unanimously.

Mr. FREDERIC WALMSLEY proposed that the following London retiring members be re-elected members of the Council: Mr. Henry John Burgess, Sir James Martin and Mr. William Henry Payne.

Mr. C. HEWETSON NELSON seconded the resolution, and it was carried unanimously.

Mr. G. S. PITT proposed the re-election of the retiring members of the Council from the provinces: Mr. Ralph Macaulay Branson (Leicester), Mr. Duncan Edward Campbell (Wolverhampton), Mr. Charles Hewetson Nelson (Liverpool), Mr. Arthur Edwin Piggott (Manchester), Mr. Arthur Herbert Walkey (Dublin), Mr. Ralph Thomas Warwick (West Hartlepool).

Mr. THOMAS KEENS, in seconding the resolution, said it would be observed that these gentlemen comprised some of the "old guard" of the Society as well as some of the new recruits.

The resolution was unanimously agreed to.

Mr. G. ROBY PRIDIE (London) moved the re-election of the retiring auditors—Mr. Robert Heatley, Incorporated Accountant, Manchester, and Mr. Arthur Henry Hughes, Incorporated Accountant, London—upon the same terms as to remuneration as in previous years.

Mr. L. H. GRAVES (London) seconded the resolution, which was carried unanimously.

THANKS TO PRESIDENT.

Sir JAMES MARTIN said it gave him great pleasure to propose a vote of thanks to Mr. Henry Morgan for his services as President not only for the past year but for the whole period during which he had occupied that position. The 47th year of the Society had witnessed unparalleled difficulties, and the whole commercial community had had to meet them. Mr. Henry Morgan had faced those difficulties and discharged his duties as President in a manner which filled all the members of the Society with pride. Moreover, he had had his own special difficulties and responsibilities during the past year, and he had met them with unflinching courage and with the utmost determination. He thought that not only were they entitled to be proud of Mr. Morgan, but the whole profession owed him a debt of gratitude. He was not going to say that he agreed with every view Mr. Morgan had put forward—it was not necessary that he should—but the things that united them were of infinitely greater importance than those which could divide them. He moved a hearty vote of thanks to

Mr. Morgan and expressed the hope that for many long years he would remain among them to assist in the important work of the Society.

Mr. F. WALMSLEY, in seconding the motion, said he esteemed it a great honour to be allowed to do so. He did not think he need add anything to Sir James Martin's graceful tribute to the work Mr. Morgan had accomplished.

The vote of thanks was carried unanimously.

The PRESIDENT said he greatly appreciated the honour he had enjoyed for three years past of occupying the highest position to which the Society could raise one of its members. Great as were its responsibilities and its obligations, he could say that he had experienced very great pleasure in carrying out the many duties of the office. At that moment he was deeply sensible of the kindness and support of all the members, and especially of all his colleagues on the Council. He had also been assisted by the past Presidents of the Society and he wished particularly to refer to the kindness of Sir James Martin. Sir James had suggested that there were some points on which they might not agree, but it would require some very serious points of diversion to shake the friendship which had been built up between Sir James and himself.

The proceedings then terminated.

47th ANNUAL REPORT.

The Council has pleasure in submitting to the members its 47th Annual Report.

NEW MEMBERS ELECTED.

During the year 1931, 341 new members were admitted to the Society, and 49 Associates were advanced to the degree of Fellow. At the dates of election they were resident in the following countries:—

England and Wales	285
Scotland	12
Ireland	5
Channel Islands	1
India	8
South Africa	27
France	1
Germany	1
South America	1
Total	341

ASSOCIATES ADVANCED TO FELLOWS.

England and Wales	35
Scotland	1
Ireland	1
India	4
South Africa	8
Total	49

The figures for the past three years are as follows:—

	1929	1930	1931
New members elected ..	251	291	341
Associates elected Fellows ..	40	60	49

The total number of members on the roll on December 31st, 1931, was 5,664, and consisted of 1,448 Fellows, 4,213 Associates, and 3 Honorary Members. Two Fellows held rank as Honorary Members.

OBITUARY.

The Council regrets that the deaths of 60 members (30 Fellows and 30 Associates) were notified in 1931, among whom appeared the name of Mr. Feather Ogden Whiteley, O.B.E., Bradford, who was a member of the Council from 1920 to 1927.

EXAMINATIONS.

The number of candidates at the Preliminary, Intermediate and Final examinations was 2,022, of whom 1,067 passed and 955 failed.

The following are the comparative figures for the past three years :—

Year.	FINAL.			INTERMEDIATE.			PRELIMINARY.		
	No. of Candidates	Passed	Failed	No. of Candidates	Passed	Failed	No. of Candidates	Passed	Failed
1929	556	46%	54%	839	48%	52%	332	50%	41%
1930	671	47%	53%	883	52%	48%	342	58%	42%
1931	702	51%	49%	944	52%	48%	376	60%	40%
Total	1,929	927 48%	1,002 52%	2,666	1,358 51%	1,308 49%	1,050	612 58%	438 42%

Prizes and Honours Certificates were awarded to the following :—

FINAL EXAMINATION.

1st Certificates of Merit—

Smith, Jack Ashworth, A.S.A.A., Manchester (May, 1931) (Prize).

Howard, Reginald Percival, A.S.A.A., Watford (November, 1931) (Prize).

2nd Certificates of Merit—

Johnson, Thomas Reginald, A.S.A.A., Birmingham (May, 1931) (Prize).

Ewart, John, A.S.A.A., Cardiff (November, 1931).

3rd Certificates of Merit—

Satterthwaite, Eric, A.S.A.A., Bootle (May, 1931) (Prize).

Clayton, Edgar Francis, B.Sc., A.S.A.A., Ipswich (November, 1931).

4th Certificates of Merit—

Harris, Edwin Henry, A.S.A.A., Glasgow (May, 1931).

Hayhow, Henry, A.S.A.A., Newcastle-upon-Tyne (November, 1931).

5th Certificates of Merit—

Russell, John Charles, A.S.A.A., London (May, 1931).

Bray, Frank Sewell, A.S.A.A., London (November, 1931).

6th Certificates of Merit—

Pearson, George Barnes, A.S.A.A., London (May, 1931).

Dowrick, Gabriel Marshall, Colchester (November, 1931).

7th Certificates of Merit—

Cross, Malcolm Frederick, A.S.A.A., Rochdale (May, 1931).

Dickson, Andrew, Johannesburg (November, 1931).

8th Certificate of Merit—

Somerville, Charles Edward Branscombe, B.Com., A.S.A.A., London (May, 1931).

INTERMEDIATE EXAMINATION.

1st Place Certificates—

Wade, Edwin John, Cardiff (May, 1931) (Prize).

Lambert, George, Middlesbrough (November, 1931) (Prize).

2nd Place Certificates—

Tipping, John, Wallasey (May, 1931).

Dalal, Homi Pestonji, Bombay (November, 1931).

3rd Place Certificates—

Gould, William Clarence, London (May, 1931).

Leaver, Bertram Russell, Manchester (November, 1931).

4th Place Certificates—

Stanaway, Harold, Middlesbrough (May, 1931).

Hews, Frederick Royal, Brighton (November, 1931).

5th Place Certificates—

Riches, Frank John, Norwich (May, 1931).

Baker, Harry, Cape Town (May, 1931).

Morgan, Geoffrey, Bradford (November, 1931).

6th Place Certificate—

Jones, Sidney, Leeds (May, 1931).

7th Place Certificate—

Kent, Stephen John, Rotherham (May, 1931).

8th Place Certificate—

Miller, Robert Ralph, Banbury (May, 1931).

PRELIMINARY EXAMINATION.

1st Place Certificates—

*Locke, Roland, Manchester (May, 1931).

Stoddard, Leslie Ford, Manchester (November, 1931) (Prize).

* Disqualified for Prize by age limit.

2nd Place Certificate—

Rorison, Donald, Barrow (May, 1931) (Prize).

GOLD AND SILVER MEDALS.

The Society's Gold Medal for 1931 has been awarded to Mr. Jack Ashworth Smith, Manchester, who was placed first in order of merit at the Final examination held in May, 1931. A Silver Medal has been awarded to Mr. Thomas Reginald Johnson, Birmingham, who was second in order of merit at the same examination.

COMPANY ACCOUNTS AND AUDIT.

The Council appointed a Special Committee consisting of the President, the Vice-President, Mr. Thomas Keens, Sir James Martin and Mr. C. Hewetson Nelson to consider and report to the Council whether in the opinion of the Committee any amendment of the law is deemed necessary and/or what, if any, alterations of a voluntary character may be considered desirable in the compilation of company accounts or their certification by professional auditors.

The Committee have completed their report, which will be issued to the members.

INTERNATIONAL CONGRESS ON ACCOUNTING, 1933.

The International Congress on Accounting held in New York in 1929 accepted a general invitation, extended on behalf of the Accountancy profession in Great Britain and Ireland, for the next Congress to be held in London. Pursuant to this invitation, an Executive Committee consisting of representatives of accountancy bodies in Great Britain and Ireland has been constituted to make arrangements for an International Congress to be held in 1933. Four members of the Society's Council have been nominated to serve on the Executive Committee.

BRITISH DOMINIONS AND OVERSEAS.

The Council has maintained communication with the respective Committees of the Society in the British Dominions in regard to the interests of Incorporated Accountants.

Sir Harry Hands, K.B.E., Chairman of the Society's South African (Western) Committee, Cape Town, and Mr. Alexander Aiken, LL.D., a member of the Society's South African (Northern) Committee, Johannesburg, paid visits to London during the year and conferred with members of the Council.

BRANCHES AND DISTRICT SOCIETIES.

A conference of members of the Council with representatives of Branches and District Societies was held in London in May, 1931. The President and members of the Council and officers of the Society have visited the Branches and District Societies during the year.

DISCIPLINARY COMMITTEE.

The Council, upon a report of the Disciplinary Committee, excluded from the Society a Fellow who was adjudged guilty of conduct which rendered him unfit to remain a member.

INCORPORATED ACCOUNTANTS' HALL.

A panel has been placed in the vestibule to commemorate the services of those members of the Council who were identified with the acquisition and restoration of Incorporated Accountants' Hall. A similar panel bears the names of the Presidents of the Society.

During September, 1931, in connection with the International Illumination Congress in London, Incorporated Accountants' Hall was floodlighted.

PRESIDENT AND VICE-PRESIDENT.

Mr. Henry Morgan and Mr. Edward Cassleton Elliott were unanimously re-elected to the respective offices of President and Vice-President at a meeting of the Council in May, 1931.

COUNCIL.

The following members of the Council retire under the provisions of Article 49, and, being eligible, offer themselves for re-election:—

London.

Mr. Henry John Burgess.
Sir James Martin, J.P.
Mr. William Henry Payne.

Provinces.

Mr. Ralph Macaulay Branson, Leicester.
Mr. Duncan Edward Campbell, Wolverhampton.
Mr. Charles Hewetson Nelson, J.P., Liverpool.
Mr. Arthur Edwin Piggott, Manchester.
Mr. Arthur Herbert Walkey, Dublin.
Mr. Ralph Thomas Warwick, West Hartlepool.

ACCOUNTS.

The accounts of the Society for 1931 are annexed to this Report, and show a surplus for the year of £3,789 10s. 6d.

HENRY MORGAN,

President.

E. CASSLETON ELLIOTT,
Vice-President.

ALEXANDER A. GARRETT,
Secretary.

Incorporated Accountants' Hall,
Victoria Embankment,
London, W.C.2.

April 15th, 1932.

Dr.		REVENUE ACCOUNT FOR THE YEAR ENDED DECEMBER 31ST, 1931.								Cr.			
		EXPENDITURE.								INCOME.			
		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
To Salaries					5,382	5	6	By Subscriptions			16,193	12	6
„ Rates		723	0	3				„ Entrance Fees—					
„ Insurances		131	8	10				49 Fellows	257	5	0		
„ Housekeeper, Lighting, Telephone, &c.		791	3	1				341 Associates.. .. .	3,580	10	0		
					1,645	12	2				3,837	15	0
„ Travelling Expenses ..		873	12	11				„ Examination Fees			6,500	17	0
„ Stationery, and Printing, including Year Book ..	2,301	2	10					„ Dividends on Investments and Bank Interest (gross)			662	2	11
„ Postages and Telegrams..	339	9	11					„ Sundry Fees			536	17	0
„ Legal and Parliamentary Expenses		242	17	2				„ Hire of Rooms			394	14	6
„ Advertisements		693	9	3				„ Contribution from London and District Society for Secretarial and Office Expenses			500	0	0
„ Subscriptions and Contri- butions to Chambers of Commerce		61	19	0				„ Contribution from Incorporated Account- ants' Journal towards Office Expenses	200	0	0		
„ Auditors' Fees & Expenses		69	19	6									
„ Miscellaneous Expenses ..		629	11	2									
„ Decorations and Repairs..		99	13	1									
					5,311	14	10						
„ Expenses of Examinations and Prizes					3,869	16	2						
„ Grants to Branches, Dis- trict and Students' So- cieties					3,613	16	5						
„ Debenture Interest (gross)					3,500	0	0						
„ Contribution to the Ex- penses of the International Congress on Accounting, 1933					100	0	0						
„ Additions to Library ..					121	11	11						
„ Depreciation of Furniture, &c.					213	12	0						
„ Reserve for Redemption of Debentures :—													
Annual Instalment and Interest					1,367	19	5						
„ Balance, being surplus of Income over Expenditure for the year					3,789	10	6						
					£28,915	18	11				£28,915	18	11

BALANCE SHEET AS AT DECEMBER 31ST, 1931.

LIABILITIES.			ASSETS.		
	£	s. d.		£	s. d.
Mortgage Debentures	70,000	0 0	Freehold Property—Incorporated Accountants' Hall, at Cost	100,954	17 1
Sundry Creditors	5,670	13 1	Furniture and Fittings at Cost, less amount written off	3,770	16 0
Incorporated Accountants' Journal (Loan) ..	1,000	0 0	Library at Cost, less amounts written off ..	300	0 0
Subscriptions for 1932 (paid in advance) ..	112	17 6	Investments at Cost—		
Examination Fees (paid in advance) ..	232	11 6	£6,000 Os. Od. 4½% Conversion Stock 1940-44 ..	5,461	13 3
Reserve for Debenture Redemption—			£3,300 Os. Od. 4% Funding Stock 1960-90 ..	2,786	16 6
Balance from 1930 ..	£2,973	16 5	£2,000 Os. Od. 4½% Borough of Harrogate Loan ..	2,000	0 0
Annual Instalment ..	1,250	0 0	£2,000 Os. Od. 4½% Borough of Worthing Loan ..	2,000	0 0
Interest	117	19 5	(Market Value of Investments, December 31st, 1931, £12,382.) ..	12,248	9 9
		4,341 15 10	Gifts—		
Accumulated Fund—			£400 Os. Od. 5% Society of Incorporated Accountants and Auditors Debentures ..	400	0 0
Balance at December 31st, 1930	39,781	10 4	Sundry Debtors and Dividends accrued ..	423	2 8
Less Loss on Sale of Investments	2,657	6 1	Cash at Bank and in Hand	4,174	7 2
		37,124 4 3	(Including £3,072 1s. 3d. on Deposit)		
Add Surplus for 1931 ..	3,789	10 6			
		40,913 14 9			
H. MORGAN,					
President.					
C. HEWETSON NELSON,					
Chairman of Finance Committee.					
April 20th, 1932.					
	£122,271	12 8		£122,271	12 8

AUDITORS' REPORT TO THE MEMBERS.

We report to the members that we have examined the foregoing Accounts, together with the books of the Society and the vouchers relating thereto, and have verified the Investments and Cash Balances. We have obtained all the information and explanations we have required, and, in our opinion, the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Society's affairs, according to the best of our information and the explanations given to us, and as shown by the books of the Society.

ROBERT HEATLEY, } Incorporated
ARTHUR H. HUGHES. } Accountants.
Auditors.

LONDON, April 21st, 1932.

Changes and Removals.

Mr. E. A. Anderson, Incorporated Accountant, has removed his offices to 5 and 6, Scottish Provident Buildings, Belfast.

Messrs. Armstrong, Lloyd & Co., Incorporated Accountants, announce that they have removed their offices to 2, Cooper Street, Manchester.

Messrs. Chantrey, Button & Co., Africa House, Kingsway, London, W.C.2, announce that they have taken into partnership Mr. Percy C. Stokes, A.C.A., who has been practising at that address, Mr. W. H. Worrall, Incorporated Accountant, Mr. Kenneth R. Gray, A.C.A., and Mr. P. C. Molineux, A.C.A., who have been associated with the firm for many years. The practice will be carried on under its present name at the above address and at 21, Rue Auber, Paris.

Mr. Leslie Dayan, Incorporated Accountant, has commenced to practise at 5, State Insurance Buildings, Dale Street, Liverpool.

Mr. Harry Davey has taken into partnership Mr. F. C. Beaumont and Mr. W. J. Padget. The practice will be continued under the style of H. Davey & Co., Incorporated Accountants, at 1, Crown Court, Wakefield.

Mr. J. S. Delbridge, B.Com., Incorporated Accountant, has commenced public practice at 117, St. George's Street, Cape Town, South Africa, as a partner in the firm of Curtis & Delbridge.

Mr. Walter J. Edwards, F.C.A., 156, Edmund Street, Birmingham, announces that he has taken into partnership Mr. Rowland E. Beckett, A.C.A., Incorporated Accountant. The practice will be carried on at the same address under the style of Walter J. Edwards & Co.

Mr. Walter Grove, Incorporated Accountant, has removed his offices to Coleridge Chambers, 177, Corporation Street, Birmingham.

Mr. H. S. Jackson, Incorporated Accountant, announces that he has removed his offices to St. George's Chambers, 2, Blackwater Street, Rochdale.

Messrs. Price, Waterhouse & Co. intimate that they have opened a branch office at Lloyds Bank Buildings, 53, King Street, Manchester; and that the address of their Leeds office has been changed to 7, South Parade.

Mr. A. H. Roy, M.A., B.Com., Incorporated Accountant, has commenced public practice at 1 and 2, Old Post Office Street, Calcutta, India.

Miss Freda Wakeford, Incorporated Accountant, has commenced public practice at 2, New Court, Lincoln's Inn, London, W.C.2.

CONSPIRACY ALLEGATIONS AGAINST DIRECTORS AND AUDITORS.

Allegations of conspiracy, fraud and breach of duty against promoters, directors and auditors of the Combined Pulp and Paper Mills, Limited, of St. Mary Axe, London, E.C., were made in an action before Mr. Justice MacKinnon and a City of London special jury in the King's Bench Division.

The action was brought by the company against Mr. Albert Martin Oppenheimer, solicitor, of Queen Victoria Street, London, E.C.; Sir Walter Beaupre Townley, of Chester Square, London; Mr. Adolph Goldsmith, Drayton Gardens, London; Sir Thomas Henry Penson, Lansdowne Road, London; Mr. Bruno Philipp, of Behrenstrasse, Berlin; Messrs. Oscar Berry, Froude & Co., accountants, and Mr. Thomas Froude, F.C.A., F.S.A.A., of Queen Victoria Street, London, E.C.; and Mr. Eugen Spier, of London Wall Avenue, London, E.C., all of whom denied the allegations.

Five K.C.'s and eight junior counsel were engaged in the case. Sir Walter Townley and Mr. Goldsmith appeared in person.

The Case for the Company.

Sir Patrick Hastings, K.C., who appeared with Mr. Stuart Bevan, K.C., and Mr. Harry Marks for the plaintiff company, said the case was an extremely grave one. It did not, however, necessarily follow that because, as the company alleged, a very serious fraud had been committed, all the defendants were necessarily guilty or equally guilty. The jury had to examine the case against each of them and there might be facts which were evidence against one but not evidence against another.

Combined Pulp and Paper Mills, Limited, was formed in October, 1927, with a capital of £395,000, for the purpose of purchasing the shares in a company in Pomerania, Germany, called the Papierfabrick Koslin, which owned a paper mill. At the end of the year the directors of the Combined Pulp Company arranged together (this was really the fraud alleged in the case) to pretend to the public that whereas in fact the plaintiff company had made no profit but a loss, it had made a profit of £200,000 in the first year. They did that with the object of increasing the capital and pushing up the value of the shares. As a result they were able to issue to the public another £395,000 of shares within a year at such a premium that they received over £600,000 for the shares. Having done that the directors, who were left, represented at the end of the second year that the company had made a profit of another £100,000, whereas it had made a loss. The truth was that by the end of the second year every penny the public had subscribed had gone, and every asset of the company had disappeared, because they had all been pledged for a business proposition which could not eventuate. The result was that the company, having paid a dividend of 20 per cent. in the first year, found itself at the end of the second year not only without a penny but with a claim against it by one of the promoters for £123,000. I think you will agree when you have heard this case, said Sir Patrick, that it is one of the most terrible records of a company that has appeared in the last few years. The question is whether any part of the result was brought about by the action of the defendants.

Sir Patrick Hastings said that the first defendant, Mr. Oppenheimer, was a solicitor with a big practice in London and an office in Berlin, and for many years he had been associated with company matters. He was the

chairman of the company. Sir Walter Townley and Sir Thomas Henry Penson were also directors, and appeared to have been directors of one or more companies before. Mr. Goldsmith, another director, was associated with Mr. Oppenheimer, and they jointly owned a syndicate in the City.

The name of Mr. Bruno Philipp would loom rather large in the case, because Counsel thought he would be able to show that Mr. Philipp had received both from the company and the public in the two years of its life, certainly not less than £750,000. He understood that Mr. Philipp was a German and described himself as a banker, and that Mr. Oppenheimer was the solicitor to Mr. Philipp apparently before the company was formed.

Messrs. Oscar Berry, Froude & Co., and Mr. Thomas Froude were accountants, and had been the auditors of the company throughout. They were apparently also the private auditors of Mr. Philipp.

Mr. Spier was the promoter with Mr. Philipp of the plaintiff company, and, with Mr. Philipp, was interested in a syndicate, the Lothbury Trust. Mr. Philipp was not an original director, but was very soon made one, and Mr. Spier was called an alternative director and attended many of the board meetings.

Mr. W. N. Stable, interposing, said that the solicitors who had acted for Mr. Philipp at an early stage of the action had not received from him the necessary funds to enable them to continue his defence. Having made that statement his (Mr. Stable's) and the solicitors' duties were at an end.

Sir Patrick said the plaintiff company asked for a declaration that the defendants were liable to repay the dividend which the company said had been paid out of capital. Defendants denied that the payment was so made. He then dealt in detail with the claim and said he had had a selection made of the more important of thousands of letters. He declared that from the moment the plaintiff company was formed the defendants were centred on one thing only, to tell the public that the company was making such enormous profits that the shares should go up in the market. They did in fact rise to nearly four times their nominal value.

In December, 1927, a few months after the formation of the company, Mr. Philipp wrote to Mr. Oppenheimer a letter in which he manufactured the profit which Mr. Oppenheimer was going to report to the shareholders in January. In that month they found Mr. Oppenheimer telling the shareholders that the company had already earned a profit of £35,000, which was more than enough to cover the whole of the preliminary expenses.

Sir Patrick referred to a meeting of the board of the company in Amsterdam in September, and alleged that it was held for the purpose of producing a dishonest balance sheet, as there was then information that the company had made a loss on the first year's trading of £3,000. Mr. Collins pointed out that Mr. Oppenheimer retired from the board in May, 1929.

Evidence was then called.

Mr. Henry D. Drysdale, Chartered Accountant, the present chairman of the plaintiff company, giving evidence, said the company had now no assets except a sum which had been returned by the Inland Revenue in respect of tax paid for 1928. The books of the company, said Mr. Drysdale, showed no justification for the statement that profits were made. The sum paid by the plaintiff company as dividend was £115,000, and it came out of capital. In his opinion the balance sheet and the profit and loss account for the first year did not convey the true position of the company.

Sir Patrick Hastings, K.C., for the plaintiff company, referred to the report on the position of the subsidiary companies made by Mr. Froude and some German auditors in March, 1929, which Counsel said was to the effect that none of the companies ever made a profit.

Mr. Drysdale said the report appeared to have been placed before the board, but so far as he knew it did not reach the shareholders.

Mr. Drysdale, cross-examined by Mr. Cyril Atkinson, K.C., for Mr. Froude, stated that at one time Mr. Philipp owed the company £279,000.

Mr. Justice MacKinnon: What seems so extraordinary is that the company wrote to Mr. Philipp: "You owe us £279,000, but we see that we owe you £200 for travelling expenses, and we enclose you our cheque."

Referring to an item of £105,000, which it was alleged had been wrongly included as profit of the plaintiff company for the first year, Mr. Atkinson asked: "From the company's point of view, if the £105,000 was in fact paid by Philipp, does it make any difference whether Philipp or Koslin has paid it?"

Mr. Drysdale: Most decidedly.

Is not the Combined's position stronger financially if an outsider has paid it?—Certainly not.

Combined Pulp's main object, according to the prospectus of less than a year before, Mr. Drysdale continued, was to have an investment in the Koslin mill, and therefore any profits that came in, unless explained to the contrary, must be presumed to be profits from Koslin trading. If some outside philanthropist liked to make a present of £105,000, the directors could not accept it and show it as trading profits.

Further questioned, Mr. Drysdale said he knew that Mr. Froude was not appointed auditor to any of Combined Pulp's subsidiary companies, but he believed that Mr. Froude wished to be.

Mr. Atkinson: What more could the Combined Pulp's auditor do than accept the certificate of the auditor of Koslin as to what their profits were?—A great deal more. He said, according to the prospectus, that he had examined the accounts and the audited balance sheets of the Koslin company for the years 1924-1927.

You do not mean to suggest that he audited the Koslin books?—I suggest that before making that statement he must have examined the books and accounts. It implies a pretty full investigation, but I have no intention of giving the impression that he audited the books.

Do you say Mr. Froude is a fraudulent auditor because he accepted the certificate of a very eminent German auditor?—I would not say it entirely upon that one part of the matter. I have had to charge Mr. Froude with the others.

The charge made against Mr. Froude, witness said, was not confined to this matter of the Koslin profit. There was much more involved in the accounts than that.

Mr. Atkinson: Your case is that Combined Pulp have never had that £105,000 or the benefit of it?—That is so.

If they have had it your case goes?—I cannot say that. (Laughter.)

In reply to Mr. Justice MacKinnon, Mr. Atkinson said: "Our case is that the money was paid to the credit of the company's account at Bruno Philipp's bank and they were given credit for it and enjoyed the benefit of it."

You know all these German subsidiary companies are still working?—I have been informed that some have had to close down. I do not say they are inefficient; it may be because of the slump in Germany.

Mr. Drysdale was also cross-examined on behalf of other defendants, who subsequently gave evidence in defence.

The Defence of Mr. Froude.

Mr. Cyril Atkinson, K.C., opening the defence of Mr. Thomas Froude, the auditor of the Combined Company, said that the company realised they had to show that the £105,000 and £75,000 never had any existence, so that they could contend that the dividend paid by the company came out of capital. He (Mr. Atkinson) hoped to prove beyond all question that those sums did exist and that the Combined Company had the benefit of them. The company had brought into the action everybody they could and made reckless charges in the hope that at least some of the mud would stick. Even Mr. Froude's partner, Mr. Oscar Berry, who had no more to do with the company than had the jury themselves, and who had died since the action was begun, had been made a defendant and, charged with fraud.

The law did not say that dividends could be paid only out of trading profits; the law was that dividends must not be paid out of capital. If it was true that the £105,000 was paid to the company by Mr. Philipp—no matter with what fraudulent intent—the mere fact that the money was paid and utilised for dividend did not inflict any damage upon the company. It would be highly improper to tell the shareholders that that was a trading profit, but it would be a wrong upon the shareholders and not upon the company. He emphasised that the action was brought by the company and not by the shareholders.

Mr. Froude was assured on three occasions by the only man in a position to certify the profits that the £105,000 represented genuine profits of the Combined Company's Koslin subsidiary. He had no reason to suspect anybody, and he ought not to be regarded as a fraudulent conspirator because he had accepted those statements. Auditors, said Mr. Atkinson, were not bound to examine entries in the books to see if they were true. Their duty was to tell the shareholders what the books showed.

Mr. Thomas Froude gave evidence that he was a Fellow of the Institute of Chartered Accountants and a partner in Oscar Berry, Froude & Co., London, which also had branch offices in Berlin and Brussels. He did not know Mr. Philipp or Mr. Spier before the formation of the plaintiff company. He was introduced to Mr. Spier and was ultimately appointed auditor of the company. He was first employed to ascertain the assets and liabilities of the Koslin company as at June 30th, 1927. From the date of the issue of the prospectus of Combined Pulp he had nothing to do with the company until the statutory audit, and after that nothing more until the end of August, 1928. He had acquired a few hundred shares in the company and had lost £450 on them. Apart from his proper charges and expenses he had received no money from Philipp or Spier or anyone else connected with the company. Mr. Philipp having asked him to visit Koslin again to see the improvements in plant and buildings that had been made, he went there about September 10th, and went into figures with the Koslin accountant, Mr. Krause. Some days afterwards Krause informed him that a new arrangement to increase the turnover commission would be made, and Philipp said that what was being done was with a view to avoiding income tax. It did not surprise him (witness) that Koslin were going to put their profits in some different form to avoid tax. Philipp also told him that Koslin's trade had been pretty good during the year, the paper position having improved by 30 per cent. and the yarn position about 60 per cent. Krause gave him a copy of

his trial balance sheet. The turnover commission worked out at about 30 per cent., and witness was informed that it had been increased so as to allow for the extra business. He treated it as nothing else but a cloak under which the profits were going to be handed over.

On September 20th, 1928, he obtained a certificate from Mr. Philipp as to the money standing to the credit of Combined Pulp with him, and saw the item of £105,000. He had no reason to doubt the accuracy of the account. At the meeting of the directors at Amsterdam on the following day, Sir Henry Penson asked whether the £105,000 was profit made by Koslin. Mr. Krause, the Koslin auditor, replied that it was. Witness had no doubt that they were Koslin profits in the way Philipp had told him. As Mr. Oppenheimer objected to sign the accounts, witness wrote to Krause for a further assurance that the £105,000 represented Koslin profit, and this was forthcoming.

Mr. Atkinson: Looking back now, not being auditor of the Koslin Company, can you think of anything more you could have done?—No.

At Amsterdam the directors passed the accounts, and witness had no doubt whatever about the £105,000 being in the bank to the company's account. A minute recorded the purchase by the company from Koslin and Zellulogarn of shares in Alfeld, and the acceptance of an offer by another company called Tachlin for the purchase of Alfeld shares, the result of the transaction being a profit to Combined of £75,000. On October 18th, 1928, witness saw Philipp to ensure that the money standing to the company's credit should be in London before the dividend was paid. To avoid having to pay German income tax, it had been decided to treat the £105,000 as though Koslin were paying a debt and not a dividend.

Referring to the decision of the board, after attacks in the German Press, to investigate the position of Koslin, witness said he protested against outside accountants being brought in to do the work, and in the end it was decided that a German firm called Treuhand and his own firm should be appointed to make a joint report. On going into the Koslin books they found no record of the payment of £105,000, and therefore it could not have been a Koslin profit. He urged that the report should be brought before the shareholders and heard that the company had placed it in the hands of Messrs. Price, Waterhouse.

Mr. Atkinson: Is there any truth in the charge that you conspired to swindle the plaintiff company?—Not the slightest. I have done only what I believed to be right.

Although you were wrong about where the £105,000 came from, is there the slightest doubt that the money was received by the company?—None whatever.

Sir Patrick Hastings (cross-examining): Do you agree that assuming an auditor intends to be a party to fraud by producing false balance sheets, it is essential for him to provide himself with certificates from somebody?—It would be better.

You received from the Combined Company £525 for the prospectus investigation, £1,542 as auditor for two years, and £890 for the Treuhand report, making a total of £2,957?—I accept that.

Were you auditor to Mr. Philipp?—No. All my work for him was done in the matter of the Combined Pulp.

I suggest that you were terrified at the chance of an independent English firm making the Koslin investigation and seeing those works which you had seen 18 months before?—Not at all.

Did the Treuhand report show that Koslin had never made a profit?—Yes.

And that even fresh capital would not have put the company right?—That was the remark.

And as far as there was any business capable of being done by the Alfeld and Rube companies, their position was prejudiced by being associated with Koslin?—Yes.

I suggest you knew or must have known at the outset that Koslin was an extremely risky investment?—I did not.

And that the accounts you dealt with show you were prepared to certify anything in the world if these people wanted you to, and all you said was "I must have the certificate of Bruno Philipp?"—You are entirely wrong.

Judge's Summing-up.

Mr. Justice MacKinnon, in summing up to the jury, said the case was of great gravity, and he was glad to think that the history of the plaintiff company was of a very unusual nature in the City. The main question was whether the company had satisfied the jury that in putting forward at the end of the first year a balance sheet showing a profit of £201,000, the defendants, or any of them, were asserting or agreeing to assert what they knew to be untrue, or were acting recklessly, not caring whether the figures were true or not. It was now admitted that the figures were not true. With regard to the defendant Philipp, he had not troubled to appear and give an explanation of his acts, and his Lordship would be extremely astonished if the jury were not satisfied that they ought to return a verdict against him.

On September 30th, 1928, there was a board meeting at Amsterdam, at which the first year's balance sheet was discussed. The records of what took place at that meeting were so obscure that his Lordship was not sure that he understood them. Apparently someone went there with a set of minutes already prepared, but who that person was he had not been able to discover. If that mysterious entity was bringing forward a cut-and-dried scheme it was material to consider whether the defendants were justified in believing in the genuineness of the transactions. The profit of £201,000 shown in the balance sheet included a figure of £105,000, about which there had been so much discussion. With regard to the truth of the balance sheet, the defendants said they were entitled to rely upon a certificate given by Mr. Philipp, who was also the banker of the company in Berlin, that he had received so much money. The whole question, however, was whether the defendants were justified in saying that they believed that the Koslin company, whose shares the plaintiffs held, had paid the £105,000, together with a further £75,000, into Philipp's bank. One view of the £105,000, suggested on behalf of the plaintiff, was that the whole thing was a sham and rubbish, and that the profit never existed at all. On the other hand, it was said on behalf of the defendants that they really believed that the Koslin company had made that profit, and that though there were various conflicting explanations about the sum, they had reason to believe that they were deliberately devised to camouflage the fact that the money was Koslin profit, in order to avoid the payment of German income tax. The position of Mr. Froude, as auditor of the company, was different from that of the directors, and the evidence regarding them was not necessarily evidence against him. He very naturally relied upon the certificates he obtained as his justification for certifying the balance sheet, and his case was that he honestly believed that what he certified was true.

The plaintiff company claimed as damages £92,400,

the amount which the shareholders had been induced to pass as dividend in October, 1928, and they said that as the company had not made this profit, the dividend had come out of capital. It was said, on the other hand, that even if the defendants were liable the damages should not be so much because £68,000 was undoubtedly received from the Lothbury Trust on account of Philipp and used for the payment of the dividend, although it was not a profit. If the jury were satisfied that although Philipp paid this £68,000, there was an arrangement that it should be repaid to him with a great deal more, and that in pursuance of that arrangement the directors shortly afterwards paid him £267,000, they might think it was wrong to suggest that against the £92,400 credit should be given for the £68,000. In regard to damages, the position of Mr. Froude, if the jury held him liable, was not the same as that of the directors, and the jury might think he was not conscious that the £68,000 was going to be repaid to Philipp, in which event the damages against him ought to be upon the lower figure of £24,000. Everybody agreed that Philipp was the villain of the piece, and that he had had all this money and made away with it, and all the lying statements and documents were his alone. Sir Patrick Hastings, for the company, was content to ask for a verdict against him for £267,000, and his Lordship thought the jury would be satisfied that he was not asking for too much.

Verdict of the Jury.

After an absence of four and a half hours, the jury returned a verdict for the plaintiff company against each of the defendants, except Sir Henry Penson and Messrs. Oscar Berry, Froude & Co.

They awarded £92,400 damages against each of the defendants, Mr. Oppenheimer, Sir Walter Townley, Mr. Goldsmith and Mr. Spier; £267,000 against Mr. Philipp; and £24,400 against Mr. Thomas Froude.

The jury returned a verdict in favour of Sir Henry Penson.

Sir Patrick Hastings asked if the verdict for the company was upon the grounds of both fraud and wilful default.

Mr. Justice MacKinnon: The jury asked me whether they ought to specify fraud or wilful default. I told them that in my view it did not matter, and they need not specify whether they found upon either ground or both, as in my view it comes to the same thing.

Judgment was entered for the plaintiff company in accordance with the jury's verdict and in favour of Sir Henry Penson, with costs in each case.

A stay of execution was asked for on behalf of Sir Walter Townley and Messrs. Oppenheimer, Goldsmith, Froude and Spier. The Judge said there would be an unconditional stay for a fortnight, and if within that time £500 was paid into court and notice of appeal given, there would be a further stay until the hearing of the appeal.

Sir Patrick Hastings mentioned the position of Messrs. Oscar Berry, Froude & Co., with regard to whom the jury did not return a verdict. He said the only evidence against them was the evidence of the act of one partner. In law, in Counsel's submission, that made the firm liable for the partner's act, because it was the firm who were the auditors. From facts stated in the firm's defence, it was not open to dispute that the firm were the auditors of the Combined Pulp Company, and that Mr. Thomas Froude was the member of the firm acting throughout on their behalf.

Mr. Cyril Atkinson, K.C., for Messrs. Oscar Berry, Froude & Co., contended that judgment could not be entered against a defendant against whom the jury had not returned a verdict. There could not be judgment

against both the principal and the agent in respect of the same thing. There had been no finding by the jury that what was done was in the ordinary course of the firm's business, and the plaintiff company were not entitled to ask his Lordship to find it. No one knew what was the jury's view regarding the firm, but it could not be said that there was a finding of fraud against them. One thing that is clear, said Mr. Atkinson, is that by reducing the damages against Mr. Froude the jury have taken him out of a conspiracy to defraud.

Mr. Justice MacKinnon, giving judgment, said the jury were not asked for a verdict against the firm, but only in regard to Mr. Froude. In his Lordship's view, having regard to the verdict against Mr. Froude, the partner, there could have been very little doubt that the jury would have found a verdict against the firm, but he did not think he could assume that it must have been so. He did not think he could usurp what was part of the province of the jury, and accept that what was done by Mr. Froude was in the ordinary course of the business of the firm. In those circumstances he could not accede to the application to enter judgment against the firm, and they would have the costs of the application.

FINANCE BILL, 1932.

The following are the provisions of the Finance Bill in so far as they relate to Income Tax, the Exchange Equalisation Account, and one or two miscellaneous matters:—

PART II.

Income Tax.

13.—(1) Income tax for the year 1932-33 shall be charged at the standard rate of five shillings in the pound, and, in the case of an individual whose total income from all sources exceeds two thousand pounds, at such higher rates in respect of the excess over two thousand pounds as Parliament may hereafter determine.

(2) All such enactments as had effect with respect to the income tax charged for the year 1931-32 shall have effect with respect to the income tax charged for the year 1932-33.

SUR-TAX FOR 1931-32.

14.—Income tax for the year 1931-32 in respect of the excess of the total income of an individual over two thousand pounds shall be charged at rates in the pound which respectively exceed the standard rate by amounts equal to the amounts by which the rates at which income tax was charged in respect of the said excess for the year 1930-31 respectively exceeded the standard rate for that year.

TAX IN RESPECT OF VOLUNTARY PENSIONS.

15.—(1) Where a person has ceased to hold any office or employment, and any pension or annual payment is paid to him, or to his widow or child, or to any relative or dependant of his, by the person under whom he held the office or by whom he was employed, or by the successors of that person, then, notwithstanding that the pension or payment is paid voluntarily, or is capable of being discontinued, it shall be deemed to be income for the purposes of assessment of income tax and in the case of a pension or annual payment which is paid by or on behalf of a person outside the United Kingdom shall be assessed and charged by reference to the provisions of Rule 2 of the Rules applicable to Case V of Schedule D and in any other case shall be assessed and charged under Schedule E.

(2) For the purpose of removing doubts, it is hereby declared that the expressions "annuity" and "pension" in the charging provision of Schedule E and in sub-sect. (1)

of sect. 17 of the Finance Act, 1928, include respectively an annuity and a pension which is paid voluntarily or is capable of being discontinued.

(3) The expression "earned income" in sub-sect. (3) of sect. 14 of the Income Tax Act, 1918, shall be deemed to include any annuity, pension or annual payment to which this section applies.

ADDITIONAL DEDUCTIONS IN CASE OF MACHINERY AND PLANT.

16.—(1) Where, under Rule 6 of the Rules applicable to Cases I and II of Schedule D, a deduction in respect of wear and tear of any machinery or plant during any year of assessment is allowed either in charging profits or gains for the year, or, where the machinery or plant is let, by the repayment of a portion of the tax assessed and charged in respect of the machinery or plant and deducted from the rent, the Commissioners by whom the deduction is allowed shall, either in charging the profits or gains, or by means of such repayment as aforesaid, as the case may be, allow an additional deduction equal to one-tenth of the amount of the deduction allowed under the said Rule 6 as aforesaid, but excluding from that amount any sum included therein by virtue of paragraph (3) of the said Rule.

(2) Where, for any purpose of the Income Tax Acts, account is required to be taken of any deductions allowed, or deemed to have been allowed, in respect of wear and tear for any years prior to the year of assessment, or of the aggregate of the amount of those deductions and of any such deduction for the year of assessment, the additional deduction under this section for any of the said years shall for that purpose be treated as if it were part of the deduction in respect of wear and tear for that year.

EXTENSION OF PERIOD FOR CARRYING FORWARD LOSSES IN CERTAIN CASES.

17.—Where a loss sustained by a person has been carried forward under sect. 33 of the Finance Act, 1926, and as regards that loss or any part thereof a deduction or set off cannot be given under that section from or against the profits or gains on which the person is assessed under Schedule D for the six years following the year in which the loss was sustained owing to the allowance in the assessments for those years of deductions for wear and tear of machinery or plant under Rule 6 of the Rules applicable to Cases I and II of Schedule D, then so much of the loss in respect of which relief has not been given as represents the amount in respect of which relief could have been given but for the allowance aforesaid shall be further carried forward and deducted or set off under and in accordance with the provisions of the said section as if, in relation to the loss so carried forward, for references in the said section and in sect. 19 of the Finance Act, 1928, to the six years of assessment following the year in which the loss was sustained there were substituted references to all following years of assessment:

Provided that—

- (a) This section shall not apply in relation to the carrying forward, deduction or set off of a loss under sect. 33 of the Finance Act, 1926, as applied by sect. 29 of the Finance Act, 1927;
- (b) The same deduction for wear and tear of machinery or plant to which effect is given in any year of assessment shall not be taken into account more than once for the purposes of this section.

PART IV.

Exchange Equalisation Account.

21.—(1) There shall be established an account, to be called "the Exchange Equalisation Account," which

shall be under the control of the Treasury and shall be used for the purposes specified in this Part of this Act.

(2) The Treasury may, if at any time they think it expedient so to do, cause the Exchange Equalisation Account (in this Part of this Act referred to as "the Account") to be wound up forthwith, and the Account shall in any event be wound up not later than six months after the date on which sub-sect. (1) of sect. 1 of the Gold Standard (Amendment) Act, 1931 (which suspends the obligation of the Bank of England to sell gold bullion at a certain price) ceases to have effect.

(3) The Treasury may cause any funds in the Account to be invested in securities or in the purchase of gold in such manner as they think best adapted for checking undue fluctuations in the exchange value of sterling.

(4) There shall be issued to the Account out of the Consolidated Fund, or the growing produce thereof, at such times and in such manner as the Treasury may direct such sums, not exceeding in the aggregate one hundred and fifty million pounds, as the Treasury may determine, and all the assets of the Exchange Account shall be transferred to the Account at such time as the Treasury may direct.

(5) For the purpose of providing for the issue of sums out of the Consolidated Fund under the last preceding sub-section or for the repayment to that Fund of all or any part of any sums so issued, the Treasury may raise money in any manner in which they are authorised to raise money under and for the purposes of sub-sect. (1) of sect. 1 of the War Loan Act, 1919, and any securities created and issued to raise money under this sub-section shall for all purposes be deemed to have been created and issued under the said sub-sect. (1).

(6) The Bank of England may advance to the Treasury any sums which the Treasury have under this section power to raise.

(7) The Account shall in every year until it is wound up be examined by the Comptroller and Auditor-General in such manner as he, in his discretion, thinks proper with a view to ascertaining whether the operations on and the transactions in connection with the Account have been in accordance with the provisions of this Part of this Act, and he shall certify to the Commons House of Parliament whether in his opinion, having regard to the result of the examination, the operations on and the transactions in connection with the Account have or have not been in accordance with the provisions of this Part of this Act.

APPLICATION OF ACCOUNT, TRANSFERS THERETO, &c.

22.—(1) There shall be paid to the Issue Department of the Bank of England out of the Account such sum not exceeding eight million pounds as is in the opinion of the Treasury equal to the amount of the net loss which by reason of variations in rates of exchange has been sustained in connection with the credits obtained by the Bank of England from the Bank of France and the Federal Reserve Bank of New York on the first day of August, nineteen hundred and thirty-one.

(2) For the purpose of any valuation of the assets held in the Issue Department of the Bank of England being a valuation made before the winding up of the account—

(a) Gold held in the Department shall be taken to be of the value of three pounds seventeen shillings and tenpence halfpenny for every ounce troy of the standard fineness specified in the First Schedule to the Coinage Act, 1870 (hereafter referred to as "the fixed value"); and

(b) Assets in foreign currency held in the Department shall be valued at the rate of exchange prevailing at the date of each valuation.

(3) Whenever any gold is purchased or sold on account of the Issue Department during the existence of the Account, the amount by which the price of the gold exceeds the fixed value thereof shall, in the case of a purchase, be made good to the Issue Department from the Account, and, in the case of a sale, be made good to the Account from the Issue Department.

(4) Immediately before the Account is wound up, the amount by which the market value (as agreed between the Bank and the Treasury) of the gold then held in the Issue Department exceeds its fixed value shall be made good by the Department to the Account.

(5) If on any sale of assets in foreign currency held in the Issue Department of the Bank of England (whether the sale occurred before the establishment of the Account or occurs at any time during the existence of the Account) or on any valuation during the existence of the Account of any such assets, it appears that by reason of variations in rates of exchange occurring at any time after the twenty-first day of September, nineteen hundred and thirty-one, there has been any depreciation or loss in connection with those assets, the amount of the depreciation or loss shall be made good to the Issue Department from the Account, and if on any such sale or valuation as aforesaid it appears that by reason as aforesaid any appreciation or gain has arisen in connection with any of the said assets, the amount of the appreciation or gain shall be made good from the Issue Department to the Account.

(6) Where under this section any amount is to be made good from or to the Account, securities equivalent in value, in the opinion of the Treasury, to that amount shall be transferred from or to the Account.

(7) It is hereby declared that in sub-sect. (3) of the last preceding section of this Act, and in sect. 3 of the Currency and Bank Notes Act, 1928 (which relates to the securities to be held in the Issue Department), the expression "securities" includes foreign securities and assets in foreign currency in whatever form held.

WINDING UP OF ACCOUNT.

23.—On the winding up of the Account the assets thereof shall be applied in such manner as the Treasury may direct for the redemption of debt, and the Treasury shall thereupon cause to be laid before Parliament a statement of the sum so applied, and of the sums issued out of the Consolidated Fund to the Account, together with a report by the Comptroller and Auditor-General with respect to such matters in relation to the Account as he thinks fit.

PART V. Miscellaneous.

SUSPENSION OF LAND VALUE TAX.

24.—Sect. 10 of the Finance Act, 1931, which provides that land value tax shall be charged for the financial year ending the thirty-first day of March, nineteen hundred and thirty-four, and for each subsequent financial year, shall have effect as if for the reference therein to the financial year ending as aforesaid there were substituted a reference to such financial year as Parliament may hereafter determine, and the provisions of Part III of the said Act relating to valuation shall have effect as if for the dates respectively mentioned in the definition of "valuation date" in sect. 32 of the said Act there were substituted such dates as Parliament may hereafter determine.

27.—Sect. 61 of the Finance Act, 1921, shall have effect, and shall be deemed always to have had effect as if, in all cases whatsoever where by virtue of any enactment the accounts of any local authority are subject to audit by district auditors, it required the stamp duty chargeable in respect of the audit to be calculated in accordance with the scale fixed under that section.

The Stock Exchange.

A LECTURE delivered before the Incorporated Accountants' Students' Society of London and District by

SIR STEPHEN KILLIK, J.P.

President of the Society.

The chair was occupied by Mr. R. J. BARRETT, Managing Editor of the *Financial Times*.

SIR STEPHEN KILLIK said: Recent political events have brought into unusual prominence the questions of finance, foreign exchange, banking and other kindred matters, and it is therefore advisable that students should devote more time than they have perhaps previously done to these subjects.

In any scheme involving the control of banking, foreign exchange, investment and finance, it is obvious that the Stock Exchange would necessarily be included. In order, therefore, to assist the formation of a judgment it is desirable that the Stock Exchange, and the methods by which its business is conducted, should be better known and understood than would appear to be the case from the large amount of uninformed criticism which is offered from time to time.

In the first place, what is the Stock Exchange? It is a market place for dealing in stocks and shares—neither more nor less—but as such it performs a very valuable and necessary function in the economics of the business world. Markets are one of the oldest instincts of civilisation. Indeed, centuries ago savage nations established meeting places for the exchange of commodities, from which the modern market has gradually developed. Most of the great cities of the world owe their importance to their development as market places which result in negotiability and the establishment of prices.

The Stock Exchange is an integral part of the financial mechanism of the modern State. It stimulates the flow of capital into industry, collecting funds from various sources, and has in this way been an invaluable aid to trade and commerce.

The first Stock Exchange was started towards the end of the seventeenth century in the Royal Exchange of that time, and continued there for nearly a hundred years, when the brokers outgrew the accommodation at their disposal in the Royal Exchange and probably made themselves a nuisance to the merchants and other traders who used the Exchange. The result was that the stock-brokers moved into Change Alley, and for the best part of another century transacted business there and in the neighbouring coffee houses. They then rented premises of their own adjacent to the site of the present Stock Exchange for a few years, and in 1801 the foundation stone of the present building was laid in Capel Court.

Long before that there was a market on the site of the present Mansion House, which was known as the "Stocks Market," and is sometimes thought to be associated with stocks and shares. It only received that name, however, because it was held on the site of the stocks used in olden days as a punishment for petty criminals, and had no connection with finance.

In the early days of stockbroking the broker's business was confined to dealing in East India Stock, Hudson's Bay Shares, the shares of the New River Company, together with lottery tickets and other miscellaneous documents. William III raised money by means of annuities granted for life or for long or short periods, and these were also dealt in.

Governments used to borrow money from private individuals and pay them out of subsequent taxation—that is to say, if they paid at all. During the sixteenth and seventeenth centuries the Kings and Queens of England constantly resorted to private moneylenders for accommodation.

This form of borrowing has not entirely passed away, as the Bank of England frequently advances money to the Government.

In the reign of William III the policy was first adopted of issuing interest-bearing Government deeds in the form of negotiable certificates and selling them to investors, and as borrowers usually prefer long-term to short-term loans the Government began to issue stocks which were practically irredeemable, that is to say, were redeemable only at the option of the Government. Since this practice the expenses of Governments have greatly increased.

The demand for money from Governments has in recent years been increased in consequence of wars. The recent Great War cost ten times as much as the Napoleonic Wars.

In 1697 an Act was passed to "check stockjobbing and to stem the tide of speculation," it being stated that brokers and jobbers were in the habit of unlawfully combining to raise or lower the value of securities for their own purposes. This Act penalised anyone acting as a broker without the licence of the Lord Mayor and the Court of Aldermen of the City of London. In these days it would seem, therefore, that outside brokers had already sprung up, and were no doubt largely responsible for the passing of the Act I have referred to. The authorised broker carried a silver medal which had to be produced on the completion of every bargain under a penalty of 40s. for non-compliance. The number of these licensed brokers was at that time limited to 100, and the licence fee was 40s. Their names had to be displayed on the Royal Exchange and other places in the City. Charges were limited to a commission of 10s. per cent.

In these days dealers in stocks and shares did not appear to be very popular. In 1716 the Government issued a loan of £600,000 at 4 per cent., which was considered an unattractive rate of interest. Only £45,000 was subscribed, and Sir Robert Walpole, in the House of Commons, said "I know that the members of the Stock Exchange have combined not to advance money on this loan. Everyone is aware how the administration of this country has been distressed by stock-jobbers."

From this it would appear that even at this period, more than 200 years ago, the brokers were fulfilling a useful function in directing the flow of subscriptions into quarters where they could be employed with advantage both to the borrower and the lender. The brokers were, however, continually subject to attacks, possibly from persons who had lost money in dealing in stocks and shares, a result which was not unknown even in those days. Brokers were thus assailed on the one hand by Sir Robert Walpole, who complained that they would not find the money he wanted, and on the other hand they were being criticised because it was said that the Public Debt had risen to unwieldy proportions through the readiness of the Stock Exchange to advance money in order that the brokers might have more stock to deal in. The reference to the unwieldy amount of the State Debt is somewhat interesting in view of the fact that the amount in those days was a few hundred thousands, whereas to-day it is about 7,500 millions. In spite of these attacks, however, the Stock Exchange prospered and established itself more and more as a necessary part of the mechanism of finance.

Before describing Stock Exchange dealing, it may be well to say a few words with regard to the securities. The Stock Exchange Official List—which, although containing by no means all the securities dealt in, includes all those of first importance—contains numerous divisions under separate headings, which are roughly as follows:—

- British Funds.
- Corporation and County Stocks.
- Public Boards.
- Dominion and Colonial Government Securities.
- Dominion and Foreign Corporation Stocks.
- Foreign Government Bonds.
- Railways (sub-divided into British, Indian, Dominion and Colonial, American and Foreign).
- Banks and Discount Companies.
- Breweries and Distilleries.
- Canals and Docks.
- Commercial and Industrial.
- Electric Light and Power.
- Financial Trusts, Land and Property.
- Gas.
- Insurance.
- Investment Trusts.
- Iron, Coal and Steel.
- Mines.
- Nitrate.
- Oil.
- Rubber.
- Shipping.
- Tea and Coffee.
- Telegraphs and Telephones.
- Tramways and Omnibus.
- Water Works.

All that the buyer receives and the seller delivers are pieces of paper. They represent an interest in a Government or other loan, or Shares or Debentures in a Joint Stock enterprise. The buyer of British Government securities receives either a document stating that the bearer is entitled to repayment of £100 or some multiple of that sum with coupons which have to be detached periodically when interest is due to be paid; or if securities payable to bearer are not required he will get a printed form, signed by an official of the Bank of England, stating that the person's name therein mentioned has been inscribed in the bank books as the holder of so much War Loan, Consols, Funding Loan, or whatever stock he may have bought. In the case of a joint stock company, he will similarly get a document certifying that he has been registered as the holder of so many shares of the nominal value of so much in the books of the company. This certificate will be signed by one or more directors and the secretary, and will bear the impress of the company's seal. Before, however, he becomes possessed of this latter document, he will have had to sign a deed transferring the shares out of the name of the previous holder into the name of the buyer, and this deed will have to be lodged at the company's office for registration in the company's books. The actual document, therefore, against which he pays the purchase price is a transfer deed signed by the holder of the shares.

Since the introduction of limited liability, thousands of millions of capital have been subscribed for commercial and industrial businesses of every description, and the trade and commerce of the country has been thereby extended and developed to the advantage of all concerned.

The Stock Exchange has contributed very largely to this development by providing a market for the securities of the various companies. Without a market the investment would necessarily be of a more or less unnegotiable

character and would, as a consequence, be much less attractive. In addition to providing a market, the Stock Exchange has largely assisted in directing the accumulated wealth of the country into channels where it has become reproductive.

There is no time this evening to deal with the question of booms and slumps—ugly, but expressive words—which occur from time to time. Waves of optimism spread over the investing public, when the unscrupulous company promoter is ready with his specious prospectuses. There are times when the public will subscribe to almost anything, and in the notorious South Sea Bubble a considerable sum was subscribed to a company for a project “to be afterwards disclosed.”

Before the passing of the Act of 1861 and the subsequent modifications which have been introduced from time to time, every shareholder was individually responsible for the debts of the company. This resulted in widespread ruin in the case of unsuccessful companies. Now a shareholder knows the extent of his liability, namely, that he cannot be held responsible for more than the nominal amount of the shares he acquires, and when these shares are fully paid the shareholder is entirely free from further liability.

In the case of an application for shares in a new company, the shareholder will receive a letter from the company stating that he has been allotted so many shares. This allotment letter can be dealt in as soon as the company has obtained through its broker the permission of the Committee to deal in the shares on the Stock Exchange.

The capital of companies is, as most of you know, frequently divided into ordinary and preference shares or stocks, and many companies, either at the time of their issue or afterwards, borrow money charged on their assets by means of an issue known as debentures or debenture stock. I won't enter into a discussion as to what a debenture really is, but for our purpose we may call it a charge upon the assets redeemable in many cases at a future date by means of a sinking fund, or in some cases irredeemable.

Preference shares are sometimes preferred as to capital as well as interest, and sometimes only as to interest. In most cases the interest is limited to a fixed rate, although occasionally they share with the ordinary, at some agreed rate, in the profits of the company.

The ordinary shares are entitled to all the profits after the prior charges have been satisfied. In other words, they are entitled to what the lawyers call the equity of the business, and for some reason it has recently become fashionable to refer to them as equity shares.

You know, of course that investors are not all of the same temperament. Some of them require the best type of investment available and desire, to use another popular and sometimes misapplied expression, “Safety First.” To these investors Government Stocks and other so called gilt-edged securities will appeal, or if they go a little further afield they will take up debentures and preference shares in a good company.

A practice exists in America—which efforts have been made, so far unsuccessfully, to acclimatise here—of issuing shares of no par value. I will not attempt to deal with the question as to whether it is better to create shares of a specific nominal value or to raise capital by means of shares of no par value, but I have not yet seen any sign that the English public is eagerly waiting to adopt this idea.

Members of the Stock Exchange are divided into two

classes, brokers and jobbers, and when a member is elected he has to state whether he proposes to carry on business as a broker or jobber. The broker is familiar to the public as the agent who is employed by them to purchase or sell stocks and shares. The jobber is the person to whom the broker goes to deal. It may be useful to mention here also that each firm of brokers or jobbers is entitled on payment of certain fees to introduce members of their staff as clerks authorised to deal, those who are permitted to enter the house but who may not deal and are known as unauthorised, and those who are permitted only to enter what is called the “checking” or “Name Room.”

It is difficult to use a word to properly describe the position which the jobber occupies, but the most appropriate word to use would probably be that of dealer. He has been described as a merchant, but that is not quite an accurate description, as that implies that he has on his shelves a supply of the articles he deals in ready for sale. That is not always, or indeed generally, the case. He has also been described as an intermediary, which again only tells part of the story.

The jobber stands in the market all day prepared to make a price in the securities he deals in. The expression “making a price” implies the quotation of two figures, at the lower of which the jobber or dealer is prepared to buy from the broker, or to sell to him at the higher price. That will explain what many people do not seem to understand when they see two prices quoted against the name of each different security. The difference between the two prices is known as the jobbers’ “turn.” This turn, however, is not necessarily a profit, as I shall presently show.

The jobber does not, as a rule, know whether he will be able to buy back the stock which he sells to you or to re-sell the stock which he buys from you at a profit, although, of course, that is his aim. He does not always have the opportunity of doing so. In a quickly fluctuating market it is quite possible that he may have to buy back the shares he has sold at a higher price, or if the market is going the other way to re-sell the shares which he has bought at a lower price, in either of which case he makes a loss. Equally obviously, the jobber does not always, or indeed generally, make a loss on his transactions, or he would soon be out of business. On the assumption that he sells to the broker 500 shares, he may have, we will say, 100 or 150 shares on his book as the result of previous deals. He will then have 350 or 400 shares to buy back, and he will no doubt take the earliest opportunity of finding another broker or jobber who is a dealer in the same shares, and he may perhaps buy back either the exact number or a few more or a few less, thus reducing his liability.

The ideal method of dealing for him would be to make the same price to two brokers, and to buy from one broker the same number of shares that he sells to the other, in which case he would get what is known as the “full turn.” Needless to say, these ideal conditions are seldom realised. Jobbing is not quite so easy as that, and when a jobber makes a price, let us say, of 2 to $\frac{1}{8}$ —that is to say, 40s. to 41s. 3d.—in 500 shares, the broker will probably get him to make what is called a closer price, and he may, we will say, quote 40s. to 41s. The broker, being a buyer, accepts that price and buys the shares at 41s. Then the jobber endeavours to get the shares back in the way I have indicated, and he will probably be prepared, especially if the market is what is called a good one, to pay well over 40s. in order to get the shares back. He may buy some of them at 40s. 3d.,

some at 40s. 6d., and some even at a price higher than that at which he sold them, the ultimate result of the bargain being that he makes a profit on the deal considerably less than the 1s. 3d. per share which is represented by the nominal quotation seen in the newspapers. It is, of course, conceivable, and sometimes happens, that the market may move in favour of the jobber before he has had either the time or the inclination to close the business, in which case he, of course, makes a much greater profit, but that involves the element of speculation entering very largely into the transaction. It is sometimes advanced that the jobber is simply a speculator living on the market, and I have entered into this description of the method in which jobbing is done to endeavour to show you that although jobbing is of necessity speculation, it is only speculation in the ordinary way of business, just in the same way as speculation enters into other forms of trading.

The view is sometimes expressed that the jobber exacts a turn from the investor which is unnecessary, and that if there were no jobbers and business were transacted direct, the jobbers' turn would be eliminated. Whilst it is true that in certain securities where dealings are limited in number and there is practically no market a jobber's intervention is sometimes a tax on dealings which might otherwise be avoided, speaking generally the freedom of dealings in the London market as compared with those of Stock Exchanges in other parts of the world is mainly due to the fact that jobbers exist in all the markets prepared to deal when otherwise there would be no dealings.

Jobbers, of course, are specialists; that is to say, they confine their attention to a comparatively limited number of stocks out of the many thousand that are dealt in. There is, for instance, the Home Railway market, the markets for Foreign Railways, American Railways, Mines, Miscellaneous Shares and so on, and the jobbers who specialise in these stocks take up their position day after day in the same part of the Stock Exchange. That particular part of the "House," therefore, comes to be known as the "market" for the shares dealt in by the jobbers who stand there. Thus, different parts of the "House" are known by the names of the various markets. This is obviously for convenience, as a broker wishing to deal in Home Railways immediately goes to that portion of the "House" known as the Home Railway Market, where he will find a number of jobbers ready and anxious to make him a price. By this means his business is quickly done, and in most cases, if the customer or client comes to the office and gives an order, the broker can go to the Stock Exchange, execute the order and return and report it to his client in a very brief space of time. If there were no jobbers it would be much more difficult to find a broker who was a dealer in the particular stock and in the particular amount to satisfy the broker's order.

I have endeavoured to show you how the broker transacts his business when he gets an order. I have not told you all the details as to how he approaches the market. This must largely be left to your imagination, but you will easily realise that there is scope for considerable skill in dealing, and that some brokers or their authorised clerks may be much better dealers than others. When the broker has dealt he enters the business in pencil in a small book known as his jobbing book, and the jobber does the same. At the end of the day or some period or periods during the day the broker leaves his book in the office, and from this record the transactions are entered into the books and the contract notes made out for the purpose of sending to the client as a legal record of the

business transacted. Amongst the books in which the bargains are recorded, one is known as the checking book, which is, in effect, a copy of the broker's jobbing book, but without the name of the client for whom the business is transacted. The checking book is taken next morning by one of the clerks entitled to admission to the Checking Room, a large room in the basement of the Stock Exchange building, and there the bargains are compared with a similar book in charge of the clerk representing the jobber with whom the broker has dealt. As a rule, in spite of the somewhat casual way in which the bargains are entered by the parties thereto, there is no difficulty in checking them, but, as is only natural, sometimes the entries do not agree. Usually, however, little difficulty is experienced by the principals in arranging matters, and in spite of the enormous number of bargains and the very large sums involved, an appeal to the Committee is very rare, and the credit thus reflected on the capacity and the business rectitude of the members will perhaps justify you in agreeing that the motto of the Stock Exchange, *Dictum meum pactum*—"My word is my bond"—is not inappropriate.

When the broker has dealt, the work which he has to do in connection with the bargain he has entered into on behalf of the client has only just commenced. I have mentioned the fact which will be familiar to you all, that he writes to the client advising him of the execution of his order and enclosing a contract note, which puts the business into proper legal form. Then the matter has to go through various books in the broker's office.

Although I am addressing an audience of accountants' students, I do not propose to deal with the book-keeping of the brokers' and jobbers' businesses, as that is beyond the scope of my present object and would necessitate a lecture of itself. I must, however, mention one or two matters in connection with the internal mechanism of the brokers' and jobbers' offices.

Let me remind you, first of all, that the Stock Exchange fixes fortnightly accounts for the settlement of bargains. The accounts extend from Monday to Thursday, Monday being Contango Day, Tuesday an intermediate day, Wednesday Ticket or Name Day, and Thursday Account or Pay Day. We have seen how stocks are either bearer or registered. In the case of stocks to bearer there is no difficulty, the securities being delivered to the broker on the pay day and disposed of as the client may direct.

In the case of registered stocks, however, many things have to be done. On the Name Day the broker has to give notice to the seller of the name in which the shares are to be registered. With this object he writes out on a piece of paper, approximating to the size and shape of the usual banker's cheque and known as a ticket, the name, address and description of the client or his nominee, together with the price at which the shares were bought and the amount of the purchase. The latter sum is known as the consideration and regulates the Government's stamp duty payable on the transfer of the shares. The stamp duty is inserted on the ticket, and this, added to the consideration, forms the amount payable when the ticket is delivered with the necessary deed of transfer attached. The transfer deed itself is prepared by the selling broker on a stamped form, and is, of course, executed by the seller before being presented to the buying broker for payment.

The tickets to which I have just referred bear in the place where the signature comes on an ordinary banker's cheque the name and address of the broker who issues the ticket. Tickets are documents of value, as they are in effect a promise to pay by a broker or jobber whose

name is at the foot. They pass from hand to hand, being entered in the books of those firms through whose hands they pass as the equivalent of cash.

It will be apparent from what I have said earlier as to the course of dealing that it is rarely the case that the shares which a broker may buy are delivered direct out of the name of the seller. The jobber from whom the broker has dealt undoes his bargain with someone else, and the shares in question, if there is an active market, may have changed hands many times and may ultimately be delivered in several parcels.

These tickets then pass through the hands of many firms until in possession of the ultimate seller, who retains the document instead of passing it on, and so ends what is called the trace. A good deal of very useful and necessary work is done in the matter of passing names by the Stock Exchange Settlement Department, generally known as the Stock Exchange Clearing House, which is conducted on somewhat similar lines to the bankers' clearing house. In the case of active stocks it would be quite impossible to do without the clearing house. Each account the department issues a list of the most active stocks which it proposes to deal with. On Contango Day the brokers and jobbers then send in lists of the bargains they have done in the stocks mentioned, and the clearing house traces the bargains through all the immediate stages and puts the original seller into touch with the ultimate buyer. The stock is thus delivered direct, all the immediate transactions being eliminated. If this were not done it would be necessary for the broker to do the work of tracing, which, as you will appreciate, entails a good deal of hard work which has to be done very quickly, and involves frequent visits to offices on the top floor of buildings where there are no lifts, and other inconveniences to which I need not further refer.

You will see that it is important that the names should be passed in due time, as otherwise the preparation of the transfer deed would be delayed, the seller could not deliver his stock and would consequently be unable to obtain payment.

In order to provide for such contingencies there is a Stock Exchange rule by which, if the name is not passed in time, the member who has to take the name can instruct the Settlement Department to "sell-out." This means that the Official Broker goes into the market and sells the stock for cash at the best price he can. The member who buys the stock at once passes a name, which is handed to the member who instructed the department to sell out, and his account is thus closed.

The member who is responsible for not passing the name has to pay the Official Broker's charges, as well as any loss that may arise through the difference in the selling-out price and the price of the bargain. That there may be a considerable loss will be appreciated.

When a client gives an order to a broker he may be contemplating an investment or a speculation. I have already referred to investment orders. Now let me say something about speculation.

The client has received some information to the effect that a certain company has obtained some particularly remunerative business which will keep the works employed for some time to come and will probably result in a handsome profit to the company. He thinks he will buy some shares in the belief that when this information becomes more generally known the price of the shares will improve and he will be able to make a profit. He has not the capital immediately available. He may have

stocks which he does not want to sell, and he desires, therefore, to take advantage of the process known as carrying over, or continuation. His broker buys the shares and agrees to endeavour to carry them over at the next settlement. I have said endeavour because it is not always possible to carry over shares. If the quotation should advance during the next few days and before the date of settlement to such a price as would give the client what he would consider a satisfactory profit, the matter would be easy. He would simply sell the shares and on the account day he would receive the difference between the price he paid and the price at which he sold.

Markets, however, do not always go just as you wish them. On the contrary, they have an unfortunate habit of going the reverse way to that which the speculator desires. This is frequently the case at first, even if the price eventually improves to such an extent as to give the client an ultimate profit. There are reasons for this apparent disinclination of markets to follow the course you desire them, to which, however, I need not refer here, as it would involve a rather long and complicated discussion.

Assuming that the price does not improve between the day of purchase and the next settlement, the client will instruct his broker to carry over the shares, which means that by paying the rate of interest current in the market for continuing shares of this character—called a "contango"—he will be able to postpone the date of payment until the next settlement, and so on from account to account if necessary. The purchaser under these conditions is known in the Stock Exchange as a "Bull."

Another client comes to the broker possessed of information which, he thinks, when known will be detrimental to the company, or he has formed an opinion from what he knows of the business that the shares are quoted above their intrinsic value and should, therefore, fall. He desires to take advantage of the difference between the price at which the shares are now quoted and what he considers their real value, which price he feels sure they will ultimately attain. He therefore instructs his broker to sell a number of shares although he is not possessed of a single share, and thus becomes what is known as a "Bear." Here again, if the price falls before the settlement to such an extent as to permit the client to buy back the shares he has sold at a price which will give him a satisfactory profit, the matter is easy to arrange. He buys the shares and takes his profit in due course. But if the market is not quite so kind to him, he will in the same way as the "Bull" instruct his broker to carry over the shares. In this case, however, the "Bear" will receive the rate of interest or contango instead of paying it, as would be the case with the "Bull."

The broker who desires to carry over a "Bull" position is a "giver" of the rate, and a "Bear" position makes the broker a "taker." The process of continuation is therefore referred to as "giving on" or "taking in stock."

It will be realised that the only stocks which can be carried over without difficulty are those in which there is an active market, and here there will be a price in the rate in the same way as there is a price in the stock. The rate may, for instance, be $4\frac{1}{2}$ — $5\frac{1}{2}$, meaning that if you are a "Bull" you can carry over your stock by paying $5\frac{1}{2}$ per cent. per annum, and if you are a "Bear" you will receive $4\frac{1}{2}$ per cent. per annum.

Carrying-over, however, is not quite so easy as may be thought. The rate of contango is governed by several

circumstances—the value money, the fact of whether bulls or bears predominate, and other considerations. If the market is short of shares it will be easier to give on shares, and the rate will be correspondingly lighter. A large bull position would make it more difficult.

The reverse conditions, of course, apply in the case of a bear position. Here perhaps I might say a word or two about bear selling. It looks very attractive when you see the shares of a company which are in your opinion quoted at a price far beyond their intrinsic value. You feel sure the price must fall. You accordingly sell a few shares with the object of buying them back when the inevitable fall occurs. For some reason or other the shares do not fall. A great many shares have been bought and taken off the market. As a consequence, the jobbers are very short of shares, and when it comes to Contango Day the broker finds it very difficult to take in your shares, and so far from being offered a good rate of interest he finds he has to pay a backwardation.

Before going any further I must explain the meaning of the term "backwardation." I have told you that the rate of interest charged for postponing payment from one account to another is called a "contango." When the market is oversold and the jobbers are short of shares they are naturally more willing to carry over your purchase, and the rate of contango runs off to 1 or 2 per cent., or may disappear altogether so that you may be able to prolong your bargain without any payment of interest at all. When that condition arises the contango rate is said to be "even."

When the shortage becomes more pronounced, the market may be willing to pay the bull for postponing the settlement, and that payment is known as a "backwardation," or "back" for short. A back is, therefore, the outward and visible sign of what is known as a "bear squeeze." The jobbers have sold more shares than they have got on their books, or are able to procure at short notice. The position goes from bad to worse, as far as the bears are concerned, and they are thus prepared to pay a back on shares in order to postpone the date of delivery.

This sort of thing can, of course, only happen under exceptional circumstances, or in shares in which there is very little market. It has the effect of assisting still further the upward movement in prices to which the oversold state of the market has contributed, and is one of those occasions on which you do not hear opinions expressed as to the iniquity of bear selling. It is, however, one of the dangers of speculation, and in the hands of unscrupulous gamblers has sometimes been responsible for large losses being incurred by those who are not in the swindle.

For instance, a company with slender chances of success launched under not the best auspices has attracted very little support, and the jobbers who have dealt in the shares are nearly all bears because the promoters have quietly bought up all the shares offering and the dealers have thus been unable to close their commitments. Then comes a squeeze. The shares have to be bought back somehow or other, and they can only be acquired directly or indirectly from the promoters, who are practically the only people who have any shares and can command their own terms. You will thus see that the promoters have the whip hand and can compel the sellers to pay extravagant prices for the shares which must be bought back.

The lesson to be learnt from this is that speculation may be dangerous, and that speculation as a bear, although sometimes very profitable, may result in disaster. If

you speculate as a bull—that is, buy shares in the hope of selling them at a profit—the worst that can happen is that you may have to pay for shares which have little or no real value. On the other hand, if you are a bear through having sold shares which you do not possess, there is no limit to the price which you might have to pay to close your bargain.

In the case of an obvious ramp, where jobbers dealing innocently in the ordinary course of business have become bears, and the owners of the shares refuse to make a reasonable arrangement, the Committee can defeat the conspiracy by suspending the buying-in, and that has occasionally been done. The Committee are, however, very loath to suspend any of its rules unless in very exceptional circumstances, and the bears must otherwise be left to fight their own battles.

I have just mentioned "buying-in," and I may as well here mention what is meant by the term. As I have already explained, "bearer," sometimes alluded to as "scrip," stocks must be delivered by the seller to the buying broker on the Account Day.

With registered stocks, however, the case is different. The name of the buyer has to be passed through various hands to the seller in the way already indicated. The seller has to prepare the transfer deed, transferring the shares from the holder into the name of the purchaser. This deed cannot be prepared until the day before the Account Day, as the seller cannot get the name from the buyer earlier. The deed has then to be sent for signature to the holder. The stock may be registered in one name or may be in the joint names of two or three persons acting as trustees or otherwise. In this case the deed may have to be sent to several different addresses; one or more of the holders may be away and the transfer may have to follow him; and so on. You will thus see that it may take some time before the transfer is duly executed for delivery to the buyer. The rules of the Stock Exchange allow a period of ten days from the Account Day for carrying through these formalities.

If the stock is not delivered within the allotted time, the buyer can resort to the process known as buying in; that is to say, the buying broker will instruct the Settlement Department to "buy-in" the shares, and the Official Broker will go into the market and bid for the shares. If shares are forthcoming in response to his bid he will take them, and these shares will be delivered to the purchaser to replace the shares originally bought. The Official Broker's commission, and the loss, if any, that may result through the shares having been bought at a higher price than that of the original deal, will fall upon the person who is in default.

Now to revert to speculation. The mere fact of carrying over stocks because it does not suit you to pay for them does not of itself constitute the buyer a speculator. Nor does taking-in stocks which you have sold of itself make you a speculator, as you may have the shares in your name and intend to buy them back if they recede, or to deliver them if necessary. It is very difficult to draw a line between legitimate business and speculation either on the Stock Exchange or elsewhere, and equally difficult to state where speculation ends and gambling begins.

It is easy to say that a certain transaction is an investment. It is equally easy to point to another transaction as being undoubtedly a speculation, and there would be little difficulty in characterising some transactions as wild gambles; but to say where one class of dealing ends and the other begins is a matter of great difficulty.

Let me first of all deal with the question of speculation apart from the Stock Exchange. Business in its simplest form is very largely a matter of speculation. A shopkeeper speculates upon what he considers will be the tastes and desires of his customers, and the manufacturer who purchases materials to be used for making into saleable articles is conducting a business into which the element of speculation largely enters. For instance, the success of a manufacturing business is to a considerable extent due to the conditions on which the purchases of raw materials are made. If the latter are purchased at moderate prices it is obvious that the goods can be made cheaper, and a readier and more profitable market found for the finished articles. The manufacturer, therefore, must have expert knowledge as to the market value of the various materials used, the prices of which fluctuate according to supply and demand and from other causes. If he considers that prices are likely to go higher, he naturally buys a larger stock than he would if he took an opposite view. If, being convinced that prices are likely to materially advance, he commits himself to purchases both for immediate and future delivery to an amount considerably in excess of the normal requirements of his own business, that transaction would undoubtedly be a speculation. I do not think, however, that anyone would be prepared to lay down the proposition that a manufacturer was acting improperly unless he limited his purchases to his immediate requirements, or, in other words, lived from hand to mouth. A transaction of this sort may, therefore, be looked upon as a legitimate speculation, and no industry of importance could be built up without the element of what I may call legitimate speculation being largely entered into. Speculation is inseparable from business and is of great advantage to the community.

It is conceivable and, indeed, frequently happens that the bounds of prudence and caution are over-stepped, and the speculative element in business is allowed to develop into what would be called by common consent pure gambling. With this class of business I must not be assumed to have any sympathy. Whilst speculation even in its wildest form may be productive of some good, gambling pure and simple is valueless and degrading.

Now to refer to speculation from a public point of view, when a purchaser pays cash for the stock he buys, he may be said to be an investor. If he buys stock without owning the cash to pay for it, but finances the transaction either by borrowing money on it from his banker and providing a certain amount of margin, or by postponing the completion of the bargain in the Stock Exchange and paying a rate of interest called a *contango* for so doing, he may be said to be a speculator. But here again it is difficult to discriminate between what I may call the speculative investor—that is, the person who invests in the hope of being able to realise his investment at a profit—and the speculator pure and simple. If it is a perfectly moral transaction for a man to invest his money in a security, and, if that security presently advances, to sell it at a profit, I find it difficult to see anything immoral in a man with less capital using his brains to make his smaller capital go further than that of the rich man, by financing his transaction through his banker or his stockbroker.

The object of most persons who invest their money either in stocks or shares, houses, land, or any other form of investment known to the business community, is not only to obtain a rate of interest on their purchase, but, if possible, to add to its capital value. If some men of a more speculative character are content to look to the appreciation of their capital rather than to the receipt

of a regular rate of interest, I cannot see that they should be considered less moral than those who are content to invest their money in what are commonly known as gilt-edged securities.

To take the converse operation, if an investor who holds certain stock, the price of which has appreciated, sells it, I presume that there is nothing immoral in his re-purchasing it should the price fall to a lower level, and a person who sells stocks which have risen beyond what he considers their real value in the expectation of being able to secure a profit by repurchasing them when the inevitable fall occurs, is merely carrying out a similar transaction. It is difficult, therefore, to see that a person who, to use the common term, speculates in stocks and shares on the lines I have indicated, is in any way morally inferior to the ordinary investor. As a matter of fact, the speculator performs a very great service to the community which is frequently overlooked. He increases the number of dealings in the stocks he selects for his speculative operations, and by that means a much better market is established than would otherwise be the case. This enables investors to deal more freely, and at closer quotations, and as evidence of this it is only necessary for me to remind you that, in the case of what are called the speculative markets, much more freedom of dealing exists than in the stocks which may be classed as investment securities. For instance, to give you an illustration, the facilities for dealing in ordinary stocks are much greater than in debenture and preference stocks, for the simple reason that a certain amount of speculation takes place in the ordinary stocks by reason of the varying character of their dividends, &c., whereas prior charges, bearing a fixed rate of interest, offer no attraction to the speculator, and are, for that reason, much more difficult to deal in.

The main thing to be said against speculation is that it has a tendency to develop into gambling. I have already told you how difficult I find it to lay down a rule as to where speculation leaves off and gambling begins, but there is no doubt a tendency for persons to speculate beyond their means, which can only be described as gambling. The Committee of the Stock Exchange do their best to discourage gambling, and I think that the proportion of bargains which may be considered as gambling transactions taking place on the Stock Exchange is small when compared with the enormous amount of business which is transacted there.

In times of crisis speculation may become dangerous, and it was with the intention of preventing markets getting out of hand that the Stock Exchange was recently closed for two days.

Ever since the War the House has been closed on Saturday, until recently the feeling became general that the opportunity of dealing in stocks and shares on every business day in the week should not be denied either to the public or to the members of the Stock Exchange. It was therefore decided to reopen the House on Saturdays. Through the irony of fate, the reopening coincided with the sudden abolition of the Gold Standard, and it was considered advisable to close the Stock Exchange on the following Monday and Tuesday. On Wednesday the House was again opened, but as it became obvious during the next day or two that there was the risk of an unwieldy speculative account being built up, the Committee decided three days afterwards to restrict dealings to cash bargains, and to prohibit *contangoes* and options. This decision caused some adverse comment, but it was undoubtedly a wise one. It has since been followed by permission to resume

dealings for the account, and the restriction as to contango and option business were subsequently removed.

I have referred incidentally to the Committee from time to time, and I think I ought to say a word or two about the government of the Stock Exchange.

The Stock Exchange is the property of a company governed by a deed of settlement, and the directors of the company—nine in number—are known as Managers, and are elected in the ordinary way by the proprietors or shareholders. The Stock Exchange has been very successful as a commercial undertaking. Its shares are quoted at a very handsome premium, and have been much higher in times of prosperity. Every member of the Stock Exchange has to be a shareholder, although that was not always the case.

The administration of the business of the House and the control of its members is exercised by a Committee of 30 members, annually elected, called the Committee for General Purposes. Although this body is described as autocratic—and as a matter of fact is correctly so described from one point of view, inasmuch as its authority cannot be challenged by the members, and I cannot recollect that its authority has been successfully challenged in the Law Courts—it is, however, democratic, inasmuch as the whole of the 30 members retire every year and it is within the power of the 4,000 members to elect an entirely new Committee on March 21st in each year.

A fact which is perhaps not so well known is that each member of the Stock Exchange is himself elected for one year only, and has to come up for re-election every year. This gives the Committee a power over its members which is possessed by few business organisations, and has no doubt a salutary effect on the conduct of those, if there are any, who might otherwise be less amenable to discipline.

The fact that the finances of the Stock Exchange are under the control of the Managers, and the care of the members in the charge of the Committee would lead one to anticipate that what is known as the dual control would be difficult to work, and efforts have been made from time to time to alter the position. In practice, however, it is found to work well. The Managers are an intelligent body of men, and as regards the Committee all I can say is that they are led by a Chairman of great ability, who has the confidence and appreciation of all concerned. As every new member of the Stock Exchange has for some time past been compelled to become a shareholder, the apparently conflicting interests are disappearing gradually and will eventually cease to exist.

I will now bring these somewhat discursive remarks to an end. I have dealt with the Stock Exchange from several aspects, but in order to thoroughly cover the subject, I should have to take up a good deal more time. I trust, however, that I have provided you with the opportunity of a useful discussion, and if so, my object will have been achieved.

Discussion.

Mr. T. ROGERS, Incorporated Accountant: There is one question I should like to ask Sir Stephen Killik, although it may be somewhat outside the scope of the lecture he has given us this evening. Is it wrong for stockbrokers to share their commission?

Mr. EDWARDS: Would Sir Stephen Killik be good enough to explain exactly the term "stag"?

Mr. W. D. MENZIES: I should like to know whether

there is a definite rule that a broker may not do business with another broker? Must their transactions be done through a jobber?

Mr. DALAL: A point that does not arise in the lecture, but which has been puzzling me, is that a recent rule of the Committee of the Stock Exchange requires that companies desiring a quotation on the Stock Exchange must obtain a certificate from the auditors that their share ledgers have been checked. I should like to know what was the real object of the Committee in making that rule.

Mr. R. R. COOMBER: The Lecturer dealt at some length with the question of speculation on the Stock Exchange, and I am rather in doubt as to whether in his opinion speculation in the stock market is the same as speculation in any other market. It seems to me that there is a difference, and it is rather an important difference. For example, a speculator on the cotton exchange buys cotton in advance in the belief that the commodity is going to be scarce in supply. In acting on that opinion, he does two things. First of all, he checks the consumption of cotton as a result of the increase in price, and in the second place he, for the same reason, encourages production. A speculator on the Stock Exchange, however, gets a "tip" from somebody inside that the profits of a certain company for the current year are going to be extra good, and immediately he buys shares. He does not in any way adjust the economic forces in connection with the shares he has dealt in to increase the production, because that is impossible; and he ignores the question of consumption, because shares are not consumed. Therefore it seems to me that speculation on the Stock Exchange is in a different category, from a social point of view, from speculation in other markets. I should like to hear the Lecturer's views on that.

Sir STEPHEN KILLIK: Mr. Rogers has asked whether it is wrong for brokers to share their commission. I wish it were. Brokers in many cases have to share their commissions with intermediaries, and the position is becoming more intensified as time goes on. I was asked the meaning of the word "stag." This is the slang expression for a person who applies for shares in a new company, not with the object of keeping them as an investment, but with the intention of selling them and so taking any premium there may be on the shares. His presence is not encouraged or welcomed in the case of a new company, because, instead of the shares going into the hands of investors, they go into the hands of speculators, who only keep them for the purpose of selling them again in a short space of time. This tends to make a bad market. Then I was asked whether a broker may do business with another broker. Certainly he may. I was asked the reason why the Stock Exchange has made it a rule that companies desiring a quotation are to provide a certificate from the auditors that the share ledger had been checked. The Committee are very anxious to know that the shares which have been issued have not been issued more than once. You will remember that a great deal of the trouble in the Hatry business was due to the fact that shares had been duplicated. If a certificate had been required from the company's auditors that the share register was correct, it would have been much more difficult to issue duplicate shares; and, if they had been issued, the practice would very soon have been found out. One gentleman has referred to the difference between speculation in the commodity markets and speculation on the Stock Exchange. Personally, I cannot see that to be a "bull" of cotton is likely to affect favourably the cotton industry. The speculator in cotton has eventually to sell his stock in the same way as the speculator in the stock market, and when he sells, it will have an adverse effect on the price just as his purchase of cotton has had a favourable effect. I do not see that it affects the commodity itself at all. Why I would not discourage speculation on the Stock Exchange is, as I have said, because it leads to freedom of markets and is very useful in steadying prices. The "bear" is very often a useful person in strengthening markets when otherwise they would be weak. I do

not know that I need enter into that more fully. I hope I have said enough in my lecture about speculation. The matter is capable of much fuller discussion, but I am sorry I cannot quite appreciate the differentiation that the gentleman who mentioned the subject puts forward.

The Incorporated Accountants' Golfing Society.

The Spring Meeting of the Society was held at Ashford Manor on April 28th, and was attended by seventeen members and guests. The weather was not too kind in the morning, but brightened up as the day wore on, and an enjoyable meeting was held.

The Society's prize was won by Mr. L. Jordan with a score of 94-14=80, the second prize being won by Mr. B. L. Clarke-Lens with a score of 92-11=81.

Members are reminded that friends may be invited to the Society's meetings, and it is hoped that the next meeting on June 30th at the R.A.C. course, Epsom, will be well attended both by members and guests, especially as the Society's Challenge Cup will be played for on that day.

Members who returned cards at the Spring meeting are also reminded that those cards count as a first round for the Nicholson Trophy, the second round for which is also being played for at Epsom on June 30th.

A match was held at Walton Heath on Wednesday, May 18th, 1932, between the Incorporated Accountants' Golfing Society and the London Solicitors' Golfing Society. The result of the day's play was a win for the London Solicitors' Golfing Society by 8½ matches to 7½.

Solicitors.	Score	Incorporated Accountants.	Score
Malcolm Clarke ..	1 up	B. de V. Hardcastle ..	—
C. H. Parry ..	—	B. de V. Hardcastle ..	4 & 3
R. P. Gladstone ..	½	H. J. Sier ..	½
J. A. Attenborough ..	3 & 2	B. L. Clarke-Lens ..	—
S. K. Nicholls ..	4 & 2	P. Pratt ..	—
T. E. St. Clair Daniell ..	2 & 1	F. Martin-Jenkins ..	—
C. E. Green ..	—	H. Townsend ..	2 up
E. Cripwell ..	—	H. C. Taylor ..	1 up
R. P. Hamp ..	6 & 5	J. Armstrong ..	—
E. S. Trehearne ..	2 up	A. W. MacGowan ..	—

6½

3½

The result of the four ball competition held in the afternoon was as follows:—

Solicitors.	Incorporated Accountants.
Malcolm Clarke ..	B. de V. Hardcastle 1 up
C. H. Parry ..	B. de V. Hardcastle 4 & 3
R. P. Gladstone ..	H. J. Sier ..
J. A. Attenborough ..	B. L. Clarke-Lens ..
S. K. Nicholls ..	P. Pratt ..
T. E. St. Clair Daniell ..	F. Martin-Jenkins ..
C. E. Green ..	H. Townsend ..
E. Cripwell ..	H. C. Taylor ..
R. P. Hamp ..	J. Armstrong ..
E. S. Trehearne ..	A. W. MacGowan ..
Total ..	2
	4
Total ..	8½
	7½

Society of Incorporated Accountants and Auditors.

South African (Northern) Branch.

At a meeting of the Branch Committee held at Johannesburg on April 9th, Mr. S. R. Barnes was elected Chairman, and Mr. L. A. Whiteley Vice-Chairman for the year 1932-33.

Obituary.

WILLIAM THOMAS WALTON.

We regret to announce that Mr. W. T. Walton, J.P., F.S.A.A., senior partner in the firm of W. T. Walton & Son, of West Hartlepool, Stockton-on-Tees and London, died on May 4th at his residence in West Hartlepool. Mr. Walton, who was in his 84th year, was one of the original members of the Society of Incorporated Accountants and Auditors, and for some years was a member of the Council, and on the nomination of the Society he also served for about nine years as a member of the Board of Referees, retiring from both positions in 1925 as he felt it was desirable that room should be made for younger men. His genial personality endeared him to a large circle of friends and clients. He had always taken a keen interest in hospital work, and during the Great War acted as honorary auditor for a large number of hospitals, being made a life member of the British Red Cross Society in recognition of his services. Though failing health prevented him during the later years from taking a very active part in the direction of his firm's practice, he was in daily attendance at the West Hartlepool office until the last three months, and continued his keen personal interest in all professional matters.

CHARLES WILLIAM WELFORD.

We learn with regret of the death of Mr. Charles William Welford at the early age of 47. Mr. Welford was elected an Associate of the Society in 1921, when he was in the Borough Accountant's office at Weymouth. In 1923 he was appointed Accountant to the Cheltenham and District Gas Company, and this appointment he occupied at the time of his death. Mr. Welford took a prominent part in organising the Cheltenham Musical Festival, and was also an active member of the local Chamber of Commerce.

Reviews.

Income Tax Law, Practice and Administration. By F. F. Sharles, F.S.A.A., W. J. Eccott, formerly an Inspector of Taxes, R. P. Croom-Johnson, Barrister-at-Law, and L. C. Graham-Dixon, Barrister-at-Law. London: Sir Isaac Pitman & Sons, Limited, Parker Street, Kingsway, W.C.2. In two volumes. 1,432 pp. Price 84s. net.)

This is an important publication which must have entailed a large amount of work to compile. The first volume explains the practice and procedure in relation to Income Tax and Sur Tax, special attention being given to matters where doubt or difficulty is likely to arise. Worked examples of practical problems are interspersed, and the last chapter contains specimens of the principal Income Tax forms filled in with hypothetical figures, together with explanations as to how the forms should be completed. Volume 2 contains the text of the Income Tax Act, 1918, and the Finance Acts which have subsequently been passed, with the amendments incorporated in their natural places and obsolete matter deleted. This is followed by a digest of decided cases so arranged that the decisions on each subject are brought together. Each case has a short paragraph summarising the principle of law which is involved. Cases which are regarded as of no practical value have not been dealt with, but a list is given with an explanation as to the reasons why they have ceased to be of use. An index in great detail has been provided extending to no less than 300 pages, and for convenience of reference the complete index to the whole work is contained in each of the two volumes. The volumes are bound on the loose-leaf system and special arrangements have been

made by the publishers to notify subscribers of any change affecting Income Tax Law or Practice during the currency of the present edition. These changes will be supplied in the form of printed pages perforated ready for insertion in their proper position in the volumes, and are to be provided free of charge on receipt of order on a form provided for the purpose. The work gives evidence of having been prepared with great care, and will be found exceedingly useful to practising accountants in dealing with the many problems that arise in connection with Income Tax and Sur Tax matters.

Mechanised Accountancy. By C. R. Curtis, B.Sc.(Econ.). London: Charles Griffin & Co., Limited, 42, Drury Lane, W.C.2. (144 pp. Price 15s. net.)

Mr. Curtis, who is the chief accountant of a banking company, has supplied a very useful description of the mechanical methods of book-keeping now in operation. The first part of the book describes the types of machines in use, part two the matters to which they are applied, and part three gives an explanation of the different makes of machines, accompanied by pictures to indicate what they are like. In describing the uses of the various machines, Mr. Curtis has also tried to anticipate the probable further developments which may take place. A useful feature is the introduction of specimen sheets with entries thereon which add materially to the understanding of the text.

The Powers and Duties of Executors, Administrators and Trustees. By C. A. Sales, LL.B., F.S.A.A. London: A. W. Berkeley, Limited. (112 pp. Price 2s. 6d. net.)

This little book is intended as an introduction to the larger works on this subject, which is probably one of the most difficult with which accountant students have to deal. All the main features are covered and the explanations are brief and in simple language.

Perplexing Points in Executorship Law.

Perplexing Points in Company Law and Partnership Law. By E. Westby-Nunn, B.A., LL.B., Barrister-at-Law. London: Macdonald & Evans, 8, John Street, Bedford Row, W.C.1. (76 pp. and 70 pp. respectively. Price 2s. 6d. each.)

The object of the author of these little booklets has been to deal with the points which have been found to give the greatest trouble to students. His endeavour has accordingly been to explain simply and at some length the points which cause perplexity and give rise to misunderstanding.

Municipal Audit Programmes. Second Edition. By Stanley Whitehead, A.S.A.A. London: Sir Isaac Pitman & Sons, Limited, Parker Street, Kingsway, W.C.2. (162 pp. Price 5s. net.)

Mr. Whitehead, who is a Borough Treasurer, is well qualified to deal with this subject. The contents of the book are devoted mainly to a consideration of the internal audit, although some particulars are also given in relation to statutory and professional audits. In producing the present edition, opportunity has been taken to re-write the greater part of the text and to add "programmes" in connection with such matters as Public Assistance, Car Parks, &c.

Assessment of Gas Undertakings: 1932 Supplement to First Edition. By H. T. Seymour, A.C.I.S. London: Walter King, Limited, 11, Bolt Court, Fleet Street, E.C.4. (104 pp. Price 5s., post free.)

This supplement to the original publication includes notes on the provisions of the Finance Acts of 1930 and 1931, in relation to gas undertakings, and brings the subject matter completely up to date, both as regards the latest decisions of the Courts and the inclusion of the relevant portions of the complete series of Representations of the Central Valuation Committee. The style is similar to that of the original volume.

Society of Incorporated Accountants in Ireland.

ANNUAL MEETING.

The annual general meeting of the Society was held on May 11th, 1932. In proposing the adoption of the report and accounts for the year ended March 31st, 1932, the President, Mr. James A. Kinnear, reviewed the Society's activities for the year.

The retiring members of the Council, Mr. C. P. McCarthy, M.Com. (Cork), and Mr. James A. Kinnear and Mr. A. J. Walkey (Dublin) were re-elected, and the co-opted of Mr. J. D. Thompson (Belfast) was confirmed. The Honorary Auditor, Mr. T. Condren Flinn, was also re-elected. A cordial vote of thanks to the President terminated the proceedings. At a Council meeting held subsequently the following officers were elected for the ensuing year: President, Mr. James Boyd, Belfast; Vice-President, Mr. R. J. Kidney, Dublin; Hon. Secretary, Mr. A. J. Walkey, Dublin; Hon. Treasurer, Mr. A. H. Walkey, Dublin.

Report.

The membership of the Society now consists of 41 Fellows and 108 Associates, being a total of 149, in addition to which there are 160 student members. The Council would draw the attention of Associates in practice to the desirability of making application to be advanced to Fellows as soon as they are eligible to do so.

The number of candidates who presented themselves at the examinations held at the Dublin and Belfast centres in May and November, 1931, exceeded the previous year's record, the total being 89 as against 72; 33 candidates were successful, 5 in the Final examination, 15 in the Intermediate, and 15 in the Preliminary. Having regard to the facilities which are now available in regard to lectures and coaching, the results are disappointing. They bear testimony, however, to the high standard which candidates must attain in order to qualify for membership of the Society.

The students' section in the Irish Free State, and the Student Members of the Incorporated Accountants' Belfast and District Society, maintain their activities, and the Council desires to express its thanks to the lecturers. In Dublin the students reciprocated the previous year's invitation of the Chartered Students, and another very interesting debate took place between the students of the two bodies. The thanks of the Society are due to the President, Mr. James A. Kinnear, for his kindness in entertaining the Irish Free State students to a dance in Dublin, on March 29th.

The annual dinner of the Society was held on January 30th, 1932, when the Lord Mayor of Dublin, Mr. E. Cassleton Elliott (Vice-President of the Parent Society), and other distinguished guests were present. The dinner of the Belfast and District Society was held on February 1st, the principal guests being the Lord Mayor of Belfast and Mr. Henry Morgan (President of the Parent Society).

The library in Dublin has been used by a considerable number of students, but the Council are of opinion that more use might be made of the facilities afforded.

During the year, a special appeal was made on behalf of the Society's Benevolent Fund, and a number of new subscribers were thereby obtained.

On December 22nd last the Society was represented at a meeting of accountancy bodies, summoned by the

I.F.S. Department of Finance, to consider the conditions under which Public Auditors under the Industrial and Provident Societies Acts, and the Friendly Societies Acts, hold their appointments. A very full discussion took place, and the result was embodied in a circular which was subsequently issued, and which dealt with the rights and duties of Public Auditors, and set out a revised scale of fees. It is important that Public Auditors appointed by the I.F.S. Department of Finance should acquaint themselves thoroughly with the conditions under which they now hold their appointments.

BUSINESS REPLY CARDS AND ENVELOPES.

DESCRIPTION.

A person who wishes to obtain a reply from a client without putting him to the expense of paying postage may enclose in his communication an unstamped reply card or envelope of a special pattern, a specimen of which may be obtained from the Post Office. The client need not stamp the card or envelope, but can post it back in the ordinary way, and the sender will pay the charges on all the replies he receives. The business reply card or envelope can be used by any member of the public, though it is chiefly designed to meet the needs of business firms and advertisers.

CONDITIONS.

(1) Before any person or firm uses reply cards or envelopes a licence must be obtained. Application may be made on the form attached to Leaflet P36G, which the Post Office will supply.

(2) The licensee will be asked to deposit in advance a sum of money sufficient to cover the probable amount of the charges which will accrue during a week, a month, or any other convenient period, at the end of which an account will be rendered and the licensee will be required to pay the amount of the charges which have accrued.

(3) Specimens of the cards and envelopes which the licensee intends to use should be forwarded to the local Head Postmaster for approval.

(a) The name and full postal address of the licensee must be printed parallel to the length of the card or envelope below the words "Business Reply Card" or "Business Reply Envelope."

(b) The words "Business Reply Card" or "Business Reply Envelope" and the number of the licence must be printed $1\frac{1}{2}$ inches below the top edge of the card or envelope.

(c) The words "No Postage Stamp necessary if posted in Great Britain or Northern Ireland" must be printed in the top right-hand corner.

(d) The words "Postage will be paid by Addressee" must be printed in the top left-hand corner.

(e) The face of the card or envelope must bear two heavy black vertical lines near the right-hand edge.

(4) A fee of $\frac{1}{4}$ d., in addition to the normal postage, will be charged on each card or envelope returned by post to the licensee: viz, a $1\frac{1}{4}$ d. letter will be charged 2d., a 1d. postcard will be charged $1\frac{1}{4}$ d., and $\frac{1}{4}$ d. printed paper 1d.

(5) In other respects the cards and envelopes will be subject to the general regulations and rules of the Post Office relating to the Inland Letter, Postcard, and Printed Paper Posts, as set forth in the Post Office Guide.

District Societies of Incorporated Accountants.

LONDON.

ANNUAL GENERAL MEETING.

The third annual general meeting was held at Incorporated Accountants' Hall on May 10th, when the chair was occupied by the President, Mr. Thomas Keens. In moving the adoption of the report and accounts Mr. Keens expressed his pleasure at the progress made by the Society, especially considering the difficult circumstances under which its operations had been inaugurated. During the first year they were somewhat late in starting their work and in the second year their arrangements had been dislocated by the National position and the General Election.

The area of the London and District Society was a wide one as it included the Home Counties and cities and towns within reasonable travelling distance of London. He thought it possible that in the course of time District Committees under the ægis of the London and District Society might be formed with special reference to Students' sections. The London Students' Society was in a different position from any other students' organisation because it had been established over forty years ago. That Society was carrying on excellent work; it had ample funds at its disposal, and their desire was to co-operate with the work of the Students' Society.

The principal object of the London and District Society was that it should be a rallying point for members within the prescribed area, and the Committee endeavoured to accomplish this purpose by arranging suitable meetings, lectures and social functions when the members also had the opportunity of entertaining a number of friends.

Mr. Keens said it was within his personal knowledge that those members who had supported the functions and meetings organised by the London and District Society had felt that the Society filled a need in their professional life. They were busy people and the amount of time that could be given to meetings and functions was limited. For that reason the programme approved by the Committee had been short, but of the quality expected from the Society. They had the advantage of the facilities provided by Incorporated Accountants' Hall, and in addition they were grateful to Sir Ernest Benn for his paper on "Public Economy," and to Dr. Leslie Burgin, M.P., for his lecture on "Problems of Nationalism and International Trade." The subjects were treated in an original fashion, and they were pleased to welcome a number of other visitors, who took part in the discussions. They proposed to continue further meetings of that kind, and the Committee were anxious to enlist the active support of the junior members of the Parent Society, whether in practice or not in practice. In addition to a continuation of the activities referred to in the report, the Committee hoped to be able to arrange functions which would be an opportunity for members to meet one another, leaving other occasions for the entertainment of official guests. Whatever personal pleasure might be derived from participating in the work of the London and District Society, that work had also a professional significance. In the experience of those of them who had been in practice for many years nothing was more stimulating or contributed more to their professional ideals than opportunities for both formal and informal discussions, and to spare a few hours from their greater responsibilities for mutual enjoyment and the entertainment of their friends.

He acknowledged the honour they had paid him by electing him as the first President of the London and District Society and he would support with whole-hearted energy the activities which his successors would initiate and which he knew would meet with a cordial response from the general body of members.

He had to thank his Vice-President, Mr. Richard A. Witty, the Honorary Treasurer, Mr. Edward Baldry, the members of the Committee and the Secretaries for their interest and support during the period he had occupied the Presidential Chair.

Mr. R. F. Silvester and Mr. G. P. Harrison took part in the discussion which followed, to which the President replied. The motion for the adoption of the report and accounts was seconded by Mr. Richard A. Witty and carried unanimously.

COMMITTEE AND AUDITOR.

The following retiring members of the Committee were unanimously re-elected: Mr. W. Norman Bubb, Mr. E. Cassleton Elliott, Mr. William Paynter, and Mr. Joseph Stephenson; and Mr. H. E. Colesworthy and Mr. F. Martin-Jenkins were added as new members. Mr. C. B. Hewitt was re-elected Hon. Auditor, and a vote of thanks accorded to him for his services.

The rules of the Society, copies of which had been circulated, were unanimously adopted, and the proceedings terminated with a vote of thanks to the Chairman.

Report.

The following are extracts from the annual report for the year ended March 31st, 1932:—

The second ordinary general meeting of the Society was held on June 12th, 1931, when the report and financial statement for the period October 21st, 1930, to March 31st, 1931, were adopted, and the following retiring members of the Committee were re-elected:—Mr. J. R. Maskell, Mr. W. A. Pearman, Mr. J. Scott-Moore, Mr. A. J. H. Shay. Mr. C. B. Hewitt was re-elected Hon. Auditor.

At the Committee meeting immediately following the ordinary general meeting, the following officers were re-elected for the year 1931-32:—President, Mr. Thomas Keens; Vice-President, Mr. Richard A. Witty; Hon. Treasurer, Mr. Edward Baldry; Joint Secretaries, Mr. A. A. Garrett and Mr. Ernest E. Edwards.

In view of the financial crisis in the autumn of 1931, and the ensuing General Election, the programme of activities for the past year had to be curtailed, but meetings and functions were held as follows:—

Lecture by Sir Ernest Benn, Bart.—The Society was fortunate in securing the acceptance by Sir Ernest Benn, Bart., C.B.E., of an invitation to read a paper on "Public Economy" on November 30th, 1931. His paper attracted widespread interest both to members of the Society and in the Press. After the lecture Sir Ernest Benn and other guests were entertained to dinner by the President and Committee at Incorporated Accountants' Hall.

Reception and Dance.—A reception and dance was held at Incorporated Accountants' Hall on December 10th, 1931, and was attended by some 200 members and guests.

Lecture by Dr. Leslie Burgin.—On February 10th, 1932, members were able to welcome Dr. E. Leslie Burgin, LL.D., M.P., to lecture to the Society on "Problems of Nationalism and International Trade." His views raised considerable interest. After the lecture Dr. Burgin and other guests were entertained to dinner at the Hall by the President and members of the Committee.

Future Arrangements.—The Committee are arranging a more comprehensive programme for the season, 1932-33. They hope for more active support from the general body of Incorporated Accountants in London and the Home Counties, and they will welcome any suggestions which may be sent to the Secretaries with a view to increasing the effective usefulness of the London Society to the members and to the Parent Body.

Election of Officers.

At a meeting of the Committee held on May 24th the following Officers were elected for the year 1932-33:—President, Mr. Richard A. Witty; Vice-President, Mr. Joseph Stephenson, O.B.E.; Hon. Treasurer, Mr. Edward Baldry; Secretaries, Mr. Alexander A. Garrett and Mr. Ernest E. Edwards. Mr. Thomas Keens, Mr. Richard A. Witty and Mr. Joseph Stephenson were elected Trustees.

BELFAST.

Annual Report.

The following are extracts from the annual report for the year ended March 31st, 1932:—

The total number of members is 170, consisting of 18 Fellows, 54 Associates, and 98 Student members, as compared with a total membership of 169 last year.

The examinations of the Parent Body were held in May and November in the Central Hall, Municipal College of Technology, Belfast. Twenty-nine candidates entered for the May examination and twenty-two in November. Fourteen candidates succeeded in passing the examinations in May and six in November. Mr. W. H. Ardill and Mr. T. H. Hall were successful in passing the Final examination. The Committee regret that the students do not take fuller advantage of the facilities offered by the Municipal College of Technology, where special classes are in operation which have been specially arranged to cover the syllabus of the Society's examinations, as they feel that the proportion of successes would be much greater if candidates took fuller advantage of these classes.

The annual dinner was held in the Grand Central Hotel, Belfast, on February 1st, when there was a representative attendance of members.

STUDENTS' SOCIETY.

The annual meeting was held on October 14th, 1931, when the following Officers and Committee were elected for the session:—President, Mr. James H. Allen, F.S.A.A.; Vice-President, Mr. Frederick Allen, F.S.A.A.; Hon. Secretary, Mr. L. McCullough; Hon. Treasurer, Mr. H. McMillan, A.S.A.A.; Committee, Mr. W. H. Palmer, Mr. T. A. Leonard, Mr. T. A. C. Agnew, Mr. J. A. Reilly, Mr. E. G. Cowzer, Mr. W. T. Scott, Mr. J. W. Baird, Mr. W. Smyth, Mr. R. Dunlop, Mr. W. R. Ford, and Mr. W. C. Lutton.

The following lectures were held during the year:—

"The Gold Standard," by Professor H. O. Meredith, M.A.

"Some Income Tax Problems," by Mr. J. Thompson (Inspector of Taxes).

"Auditing."

"Free Speech" Night.

Mock Creditors' Meeting held jointly with Chartered Accountants Students' Society.

"The Winding-up of a Deceased Person's Estate," by Mr. R. R. Crawford, F.C.A., A.S.A.A.

MONTHLY LUNCHEONS.

The monthly luncheons held proved very successful, the following papers being read:—

"Alterations in Income Tax occasioned by the Supplementary Finance Bill," by Mr. H. Andison, A.S.A.A.

"The Present Financial Position," by Professor F. T. Lloyd-Dodd, M.A., D.Sc.

"Co-operative Societies," by Mr. W. J. McGuffin, J.P. (President of the Belfast Co-operative Society).

"Foreign Exchange," by Mr. George McNeice (Manager, Belfast Bank Limited, Castle Place, Belfast).

Address by Mr. Henry Morgan (President of the Parent Society).

"Deeds of Arrangement under 1920 Bankruptcy Act," by Mr. J. B. Taylor (President of the Incorporated Law Society).

CUMBERLAND AND WESTMORLAND.

Annual Report.

The following are extracts from the sixth annual report, which covers the period from October 1st, 1931, to March 31st, 1932 :—

LECTURES.

The following is a list of the lectures arranged by the District Society during the half-year :—

"The Effect of De-rating," by Mr. E. Lund, M.B.E., F.S.A.A.

"Income Tax" (two lectures), by Mr. R. S. Duthie, C.A., F.S.A.A.

"Duties and Liabilities of Auditors," by Mr. W. H. Grainger, F.S.A.A.

"Criticism of Balance Sheets," by Mr. C. A. Sales, LL.B., F.S.A.A.

All the lectures were well attended, and the high standard which has been set was again well maintained. The thanks of the District Society are due to those gentlemen who so kindly contributed to the syllabus.

EXAMINATIONS.

At the examinations of the Society, held in November, 1931, one candidate was successful in the Final and three in the Intermediate.

MANCHESTER.

Annual Report.

The Committee present to the members of the Society a report of the several matters that have engaged their attention, and of the activities of the Society since the issue of the last report.

The following meetings were held during the latter part of the 1930-31 session, and the 1931-32 session :—

"Companies Act, 1929, and Balance Sheet Items." Lecture by Mr. Morris Diamond, LL.B., Barrister-at-Law.

Forty-fifth Anniversary Dinner at the Midland Hotel.

Joint meeting with the members of the Manchester and District Branch of the Chartered Institute of Secretaries. "Taxation." Lecture by Mr. F. I. Vincent, Inspector of Taxes.

"The Financial Crisis and After." Lecture by Mr. J. Broatch, B.A., Editor of the *Manchester Guardian Commercial*.

"The Difference between Municipal and Company Management." Lecture by Mr. Arthur Collins, F.S.A.A.

Joint meeting with Manchester and District Branch of the Chartered Institute of Secretaries.

"Building Societies." Lecture by Mr. F. E. Lumb, A.C.I.S., Chief Accountant, Halifax Building Society.

"Partnership." Lecture by Mr. H. R. Green, M.A., Barrister-at-Law.

"The Effects of Taxation on Industry." Lecture by Mr. Godfrey Craven, F.S.A.A.

The circulation of the Library during the fifteen months ended March 31st, 1932, shows a satisfactory increase in the number of books lent, these being 121 as against 66 for the year ended December 31st, 1930.

A gathering of special interest was that on February 16th, 1931, when the Society celebrated its 45th anniversary, the President, Mr. James A. Hulme, presiding over a large gathering of guests, members and friends.

The 46th anniversary dinner was celebrated at the Midland Hotel on Monday evening, February 22nd, 1932, under the Presidency of Mr. Joseph Turner. On this occasion invitations to attend the dinner were extended to the ladies of the Presidents of the Parent and District Societies, members being at liberty to invite ladies as their personal guests as last year.

MEMBERSHIP.

A register of members has been prepared, after duplication of names has been eliminated by the apportionment of each member to the town which is his principal address, and as on March 31st the number is 429, of whom 200 are practising members in the area covered by the following towns :—Altrincham, Ashton-under-Lyne, Atherton, Bacup, Bolton, Bramhall, Bury, Buxton, Denton, Dukinfield, Eccles, Gatley, Hale, Heywood, Hyde, Leigh, Macclesfield, Manchester, Middleton, Northwich, Oldham, Radcliffe, Ramsbottom, Rochdale, Sale, Salford, Stalybridge, Stockport, Timperley, Wigan and Wilmslow.

COMMITTEE.

The following retire by rotation, viz :—Mr. Jas. A. Hulme, Mr. Arthur E. Piggott, Mr. Chas. E. Rogerson, Mr. Joseph Turner, and Mr. Frederic Walmsley, but are eligible for re-election.

Under Rule 5 (d), the seats of those members of the Committee who fail to attend at least one-third of the meetings of the Committee are declared vacant, and such members would require re-nomination and election if desirous to serve.

Under this rule, the following retire :—Mr. Albert Chadwick, Mr. Robert Heatley, and Mr. G. A. Marriott. Mr. Chadwick and Mr. Heatley do not seek re-election. Mr. George A. Marriott desires to remain on the Committee, and has been re-nominated.

The Committee much regret that, though not due for retirement, Mr. Arthur Eaves, Mr. William Eaves, and Mr. Alexander W. Kenyon, owing to the pressure of business engagements, have tendered their resignations, which have been accepted.

MR. FREDERIC WALMSLEY.

Your Committee tendered to Mr. Walmsley the cordial congratulations of his colleagues on the occasion of the celebration on March 22nd of his golden wedding. Mr. Walmsley, who recently completed his 83rd year, has been a member of the Council of the Parent Society since the foundation of that body in 1885, and of the Committee of the Manchester Society since 1886. He occupied the Presidency of the Parent Society during the years 1894 to 1898, and of the Manchester Society during 1890-1897. He has retained an active interest in and been a constant attendee at the various meetings of the Society during the whole of that period.

At the request of the President of the Parent Society, Mr. Arthur E. Piggott attended upon Mr. and Mrs. Walmsley and handed to them, on behalf of the whole of the members of the Council, a silver gilt porringer

with amber handles, and a silver gilt salver, conveying at the same time to Mr. and Mrs. Walmsley the congratulations and good wishes of the Council, and of your Committee upon this happy celebration.

LIVERPOOL.

ANNUAL MEETING.

The annual meeting of the Liverpool District Society was held at Liverpool on May 19th, the President (Mr. Alexr. Hannah) presiding over a large attendance of members.

In the course of his address, the President referred to the growth in the membership of the District Society in recent years, the number of full members having increased from 63 in 1927 to 263 to-day.

The report and accounts were received and adopted on the motion of the President, seconded by the Hon. Treasurer (Mr. Charles M. Dolby). Mr. Ernest Chetter, Mr. S. W. Hanscombe, Mr. W. G. Lithgow and Mr. Charles Tunnington were elected members of the Committee, and the customary votes of thanks were passed.

At a Committee meeting held immediately after the annual meeting the following Officers were appointed for the ensuing year:—President, Mr. Alexr. Hannah; Vice-President, Mr. E. S. Goulding, O.B.E.; Hon. Treasurer, Mr. Charles M. Dolby; Hon. Secretary, Mr. W. Bertram Nelson.

Report.

Your Committee has pleasure in presenting its report upon the work of the Liverpool District Society for the past eleven months ending March 31st, 1932.

PRESIDENT.

At the annual meeting held on June 25th last it was intimated that the Honorary Secretary, Mr. Alexander Hannah, was retiring, after seventeen years notably successful service in that office. As a token of the appreciation and esteem of the members, Mr. Hannah was presented with a solid silver tea and coffee service, the presentation being made by Mr. E. Cassleton Elliott, Vice-President of the Parent Society. A similar presentation of a clock was made to Mr. A. A. Van Gelder, the Honorary Assistant Secretary. Mr. Hannah was subsequently elected President of the Liverpool Society.

MEMBERSHIP.

At March 31st, 1932, the total membership of the Society was 450, including 73 Fellows, 190 Associates and 187 Students.

FINANCE.

The new rules provide that the financial year shall end on March 31st, instead of on April 30th. The financial statement is, therefore, in respect of eleven months.

MEETINGS.

The following meetings have been held during the year:—

Visit to the Offices and Works of The Liverpool Gas Company.

Mock Company Meeting, arranged by Mr. Charles M. Dolby, F.S.A.A.

"Money," by Mr. Douglas Haigh, F.C.I.S. (General Secretary, National Industrial Alliance).

"Partnership Accounts," by Mr. Patrick Taggart, F.S.A.A. (Lecturer in Accounting, The University of Liverpool).

"Liquidators, Trustees and Receivers," by Mr. E. Westby-Nunn, B.A., LL.B., Barrister-at-Law (at Southport).

Joint Debate with Liverpool Chartered Accountants' Students' Association. Subject: "That Democracy as a form of Government is a Failure."

"Accounting by Machinery" (with demonstrations), by Mr. G. Heath Robinson (Liverpool Manager, Burroughs' Adding Machines).

Ten-Minute Papers by Members:—"The Probability of a Return to the Gold Standard," by Mr. F. W. Irving, A.S.A.A.; "Profits available for Dividend," by Mr. C. R. Wolfenden; "Cheques," by Mr. A. G. B. Smith; "Municipal Capital," by Mr. C. Henry Huntley, A.S.A.A.

"The Legal Liability of Accountants," by Mr. Bertram B. Benas, B.A., LL.B., Barrister-at-Law. (Joint Meeting with the Liverpool and District Branch of the Chartered Institute of Secretaries).

"The Accounts Examination Papers of the Society," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A.

"The Law of Evidence," by Professor F. Raleigh Batt, LL.M., Dean of the Faculty of Law, The University of Liverpool, Barrister-at-Law.

Joint Debate with Liverpool Law Students' Association. Subject: "That the present growth of Nationalism is to be deplored."

"Company Amalgamations and Reconstructions," by Mr. Harold Brown, M.A., LL.B., Barrister-at-Law.

"Pre-Examination Hints," by Mr. Wilfred H. Grainger, F.S.A.A.

Students' Impromptu Speeches for the President's and Vice-President's Prizes.

In connection with these meetings, the Committee desires to record its thanks to the lecturers, to the Constitutional Club, and to the directors and officers of the Liverpool Gas Company.

Reference should also be made to the meeting at Southport on November 12th, when the Society was honoured with the presence of His Worship the Mayor of Southport (Councillor W. H. Bellis, LL.B.), who presided. As this was the first occasion on which the Society had met in Southport, an inaugural dinner was held at the Victoria Hotel, at which the Mayor of Southport was present.

ANNUAL DINNER.

A dinner was held on February 18th at the Exchange Hotel, at which our guests included the Lord Mayor of Liverpool, the Vice-President of the Parent Society (Mr. E. Cassleton Elliott, F.S.A.A.), the Assistant Postmaster-General (Mr. H. Graham White, M.P.), and Professor T. E. Gregory, D.Sc.

LUNCHEON.

The guest at the annual luncheon on December 4th was Mr. A. A. Garrett, M.A., B.Sc., F.C.I.S., Secretary of the Parent Society. Mr. Garrett spoke on the subject of "Accountancy—Within and Without."

LIBRARY.

Greatly increased use has been made of the library during the period covered by the report, and some 800 issues have been made. The library has been well maintained and new volumes and periodicals have been added.

The Society is again indebted to Mr. Bertram B. Benas, B.A., LL.B., for two further donations to the library.

STUDENTS' SECTION.

Seven meetings of the Students' Section have been held and it is hoped further to extend the work of the section next autumn. The question of increasing the educational facilities provided by the Society is actively engaging the attention of your Committee.

EXAMINATION RESULTS.

The following students were successful in the examinations of the Parent Society in May and November, 1931:—

May, 1931, Final.—E. Satterthwaite (Bootle) (Third Place Certificate of Merit and Prize) and five others.

Intermediate.—J. Tipping (Wallasey) (Second Place Certificate of Merit) and eight others.

November, 1931, Final.—Three candidates.

Intermediate.—Six candidates.

PARENT SOCIETY.

The Committee once again desires to record its thanks to the Council and officers of the Parent Society for much assistance and support.

Your President has represented the Society at dinners of District Societies at Bradford, Dublin, Leeds, Manchester and Stoke-on-Trent, while the Society was also represented at the annual meeting of representatives of District Societies held in London last May.

SOUTH WALES AND MONMOUTHSHIRE.

(CARDIFF AND DISTRICT STUDENTS' SECTION.)

ANNUAL MEETING.

The annual general meeting was held on May 9th. Mr. K. V. Stephens, A.S.A.A., occupied the chair, and was supported by a large attendance of members.

The Chairman made reference to the success of the past session as indicated in the report of the Hon. Secretary, and thanked the members for the support accorded him throughout the session. A hearty vote of thanks was accorded the Officers, Committee, prize essay scheme judges and joint sports secretaries.

The following Officers were elected for the session 1932-33:—Chairman and Students' Representative on the District Committee, Mr. K. S. Williams; Vice-Chairman, Mr. V. F. Alban, A.S.A.A.; Hon. Secretary, Mr. J. Alun Evans; Committee, Mr. K. V. Stevens, A.S.A.A., Mr. Noel Cliffe, Mr. J. T. Jones, Mr. D. R. Carston, Mr. C. J. Crang, Mr. R. R. Davies and Mr. B. S. Horspool; Prize Essay Scheme Judges, Mr. K. S. Williams, Mr. V. F. Alban, A.S.A.A., Mr. K. V. Stephens, A.S.A.A., Mr. E. Ewart Pearce, A.S.A.A., Mr. Ivor Davies, A.S.A.A., and the Hon. Secretary.

Mr. K. S. Williams expressed his thanks for the honour conferred upon him by his election to the office of chairman.

Arrangements were then made for the annual outing, which will take the form of a visit to Gloucester.

Report.

The following are extracts from the annual report submitted to the meeting:—

MEETINGS.

The syllabus of lectures delivered during the Session was as follows:—

"A Talk on Municipal Accounts," by Mr. John Allcock, O.B.E., F.S.A.A. (President of the District Society; City Treasurer and Controller, Cardiff).

Internal debate: "That rationalisation is a temporary remedy where Socialism is the true cure."

Debate with the Newport Students' Section at Cardiff: "That the present policy of abandoning free trade is detrimental and unnecessary."

Lecturettes by members:—

"Audits under the Friendly Societies Acts," by Mr. E. Ewart Pearce, A.S.A.A.

"Preliminaries to Commencement of Audit," by Mr. W. I. Rodda, A.S.A.A.

"Economic Progress in Relation to the Standard of Living," by Mr. K. S. Williams.

"The Retail System of Stock Control as Applied to Department Stores," by Mr. D. Bernard Morgan.

Mock company meeting.

The session just concluded was as successful, from every point of view, as those of recent years. It has been the aim of the Committee to confine the lecture syllabus as far as possible to senior and student members of the Society. As in other sessions, the most successful meetings were the debates and the mock company meeting. The average attendance during the session was 26. Our thanks are again due to Mr. Ivor Davies, A.S.A.A., who is not a member of the Students' Committee, for the helpful services he has rendered.

The Prize Essay scheme continues to be as successful as ever. The cost of the prizes was again defrayed by the District Society. The subjects chosen were such as to give the candidates opportunity for originality. There was also an innovation this year in that the judges awarded extra marks to final candidates who spoke from skeleton notes only for about three minutes of the allotted time, the skeleton notes being submitted with the papers. The Judges were well satisfied with the standard of papers delivered, and were glad to note the marked improvement in the contributions to the discussions. Prizes were awarded to the following competitors:—(a) For the best paper: 1st prize, Mr. R. R. Davies—Paper on "The Economic Aspect of International Relationships"; 2nd prize, Mr. Noel Cliffe—Paper on "Fraud and its Prevention." (b) Prize for the best contribution to the discussions: Mr. C. J. Crang. The prizes were presented to the successful candidates by Mr. Thomas Keens, F.S.A.A., at the annual dinner of the District Society held on March 10th.

EXAMINATIONS.

The list of passes at the examinations held in May and November, 1931, include a large number of Cardiff members, all of whom we heartily congratulate on their successes. We are especially proud of the distinctions obtained by Mr. John Ewart and Mr. E. J. Wade; Mr. Ewart secured the Fourth Place Certificate in the Intermediate examination in 1930 and the Second Certificate of Merit in the Final examination last November, while Mr. Wade headed the honours list in the Intermediate examination in May last, obtaining First Place Certificate and First Prize.

LIBRARY.

Mr. K. S. Williams, who took over the duties of Librarian early in the session, reports that the Library continues to be well used. Only a few volumes have been added during the year, but a complete report upon the backward state of the Library was placed before a recent meeting of the District Committee, and it is anticipated that extensive additions will be made in the near future.

SOCIAL FUNCTIONS.

The sixth annual dinner and dance was held on December 2nd. The chair was occupied by Mr. K. V. Stephens, A.S.A.A. During the evening a presentation was made of a biscuit barrel, suitably inscribed, to Mr. Ivor Davies, A.S.A.A. (Past Chairman), as a token of appreciation for services rendered, and to mark the occasion of his marriage.

The annual outing was held on July 3rd, when a visit was made to the works of the Bristol Aeroplane Company, Limited.

A Rugby football match with the Newport Students'

Section was played on December 16th, at Newport, and resulted in a win for the Newport Students by 9 points to 8 points.

WEST OF ENGLAND.

Annual Report.

Your Committee have pleasure in presenting the report of the work of the Society, together with the audited accounts for fifteen months ended March 31st, 1932.

The new rules for District Societies, approved by the Council of the Parent Society on March 24th, 1931, provide, *inter alia*, that the annual report and financial statement shall in future be made up to March 31st in each year, and in consequence this report covers the period from January 1st, 1931, to March 31st, 1932.

The new rules will be submitted for adoption at the annual general meeting to be held on Monday, June 6th, 1932.

MEMBERSHIP.

The total membership to date is 317, represented by 63 Fellows, 134 Associates, 120 Students. This is an increase of 59 over the preceding year, and includes 45 new student members.

LECTURES.

The following lectures were given :—

At Bristol.

"Rights and Duties of Liquidators, Trustees and Receivers," by Mr. C. A. Sales, LL.B., F.S.A.A.

"Income Tax—Repayment and Obsolescence Claims," by Mr. A. W. Rawlinson, A.C.A.

"Investigations," by Mr. E. Miles Taylor, F.C.A., F.S.A.A.

"Banking and Foreign Exchange," by Mr. C. R. Curtis, B.Sc. (Econ.).

"Negotiability," by Mr. E. W. W. Veale, LL.D. (Lond.).

"Company Law with Special Reference to Accountants," by Mr. C. A. Sales, LL.B., F.S.A.A.

"Stock Exchange Transactions," by Mr. W. H. Grainger, F.S.A.A.

"Partnership Law and Accounts," by Mr. C. A. Sales, LL.B., F.S.A.A.

"Equity and its importance in Accountancy Practice," by Mr. E. Westby-Nunn, B.A., LL.B.

At Exeter.

"Rights and Duties of Liquidators, Trustees and Receivers," by Mr. C. A. Sales, LL.B., F.S.A.A.

"Sale of Goods," by Mr. E. W. W. Veale, LL.D. (Lond.).

At Gloucester.

"Sale of Goods," by Mr. E. W. W. Veale, LL.D. (Lond.).

"Banking and Foreign Exchange," by Mr. C. R. Curtis, B.Sc. (Econ.).

"Executorship Law and Accounts," by Mr. W. H. Grainger, F.S.A.A.

"Equity and its importance in Accountancy Practice," by Mr. E. Westby-Nunn, B.A., LL.B.

At Plymouth.

"Duties and Liabilities of Auditors," by Mr. W. H. Grainger, F.S.A.A.

"Cost Accounts," by Mr. H. E. Davis, F.S.A.A., M.C.

"Equitable Apportionments and the Law of Intestate Succession," by Mr. E. Westby-Nunn, B.A., LL.B.

"The Accounts of Holding Companies," by Mr. J. Waveney Girvan.

"Bankruptcy and Liquidation," by Mr. E. Westby-Nunn, B.A., LL.B.

"Partnership Law and Accounts," by Mr. W. W. Bigg, F.C.A., A.S.A.A.

"Executorship Law and Accounts," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A.

At Taunton.

"The Accounting Provisions of the Companies Act, 1929," by Mr. E. Westby-Nunn, B.A., LL.B.

"Banking and Foreign Exchange," by Mr. C. R. Curtis, B.Sc. (Econ.).

"Executorship Law and Accounts," by Mr. W. H. Grainger, F.S.A.A.

"Negotiability," by Mr. E. W. W. Veale, LL.D. (Lond.).

The lectures proved attractive and excellent attendances were recorded at most of the meetings.

LIBRARY.

The library has been brought up to date with the latest editions of books of reference.

EXAMINATIONS.

Twenty-five student members were successful at the examinations of the Society held in May and November, 1931, viz, 12 in the Final and 13 in the Intermediate.

Correspondence.

TECHNICAL ACCOUNTANCY.

To the Editors *Incorporated Accountants' Journal*.

Sirs,—At the annual meeting of the London and District Society, held recently, the suggestion was put forward that lectures on technical accounting should be more prominently in the programme of the Society.

It is true that an opportunity was given at this meeting for other members to express opinions, but since it is difficult to formulate an adequate reply within the space of a few minutes, I shall be glad if you will allow me to use your columns to express myself on this matter.

I, in common with many other students, have spent the last nine years of my life in receiving instruction in technical accountancy, added to which my office duties and responsibilities have been in a similar direction; as I grow older, I desire to develop a philosophic outlook. Accountants are essentially concerned, in the practice of their profession, with duties pertaining to the administration of business; the existing administration of business is one result of the evolution of the economic system.

In order that the professional accountant may determine his position in the scheme of things it is necessary for him to examine the economic system, and in so doing he must turn to the science of economics as opposed to the administration of business. This being the case, I have been grateful to both the London and District Society and the Students' Society of London for the opportunities they have afforded me in providing lectures on subjects essentially concerned with the science of economics, and I should deprecate any move away from this policy.

The purpose of most of us is to enhance our vision, and "without vision the people perish."

Yours truly,

F. SEWELL BRAY.

Plumstead,
May, 1932.

DEPRECIATION RATES AND INCOME TAX.

The following additions have been made to the list of agreed rates of depreciation for Income Tax purposes since January, 1931:—

Municipal Electricity Undertakings—Domestic Appliances on Hire to Consumers.

Following representations made on behalf of the Institute of Municipal Treasurers and Accountants and the Incorporated Municipal Electrical Association, the Board have agreed, subject to the approval of the Commissioners concerned, to the following wear and tear allowances for domestic electrical appliances let on hire to consumers by municipal electricity undertakings:—

Cookers and kettles	20 per cent.
Refrigerators, washing machines, washing boilers and water heaters ..	15 ..
Other kinds of apparatus	10 ..

on written-down value.

The arrangement is to have effect for the five years 1931-32 to 1935-36, and is to be subject to reconsideration at the end of that period.

Creameries, Dairies and Ice Cream Factories.

Following representations made on behalf of the National Federation of Dairymen's Associations and the Ice Cream Association of Great Britain and Ireland, the Board have agreed, subject to the approval of the Commissioners concerned, to the following wear and tear allowances for plant and machinery "employed in creameries, dairies and in the manufacture of ice cream":—

Steam boilers, steam and gas engines and storage tanks	5 per cent.
Refrigerating plant (except iceless cabinets) and bottling and washing machines	10 ..
Iceless cabinets	15 ..
Other plant and machinery, including electric motors	7½ ..

Loose plant, box cycles, utensils (churns, bottles, &c.), and piping are to be dealt with on a renewals basis.

(The rate of 15 per cent. in respect of iceless cabinets is subject to review at such time as experience of the machines in question indicates that revision is appropriate.)

The arrangement is to have effect for the year 1930-31 and subsequent years, and is to apply to all members of the constituent Associations of the National Federation of Dairymen's Associations and to all members of the Ice Cream Association of Great Britain and Ireland.

Collieries.

Following representations made on behalf of the Mining Association of Great Britain, the Board have agreed, subject to the approval of the Commissioners concerned, to the following wear and tear allowances for plant and machinery employed in collieries:—

Railway wagons	6½ per cent.
Surface plant and machinery, other than electrical plant	6½ ..
Electrical plant at the surface and all underground plant installed in the shaft pillar	7½ ..
Other underground plant	10 ..
Steam lorries	15 ..
Lorries driven by internal combustion engines	20 ..

The arrangement is to have effect for the year 1928-29 and subsequent years, and is to apply to all members of the Mining Association of Great Britain.

On any change over from a "renewals" basis to the "wear and tear" basis of allowance, the starting figure for wear and tear is to be the original cost written down as if wear and tear allowances had been made from the outset at the agreed rates.

Motor Omnibuses.

With reference to the announcement in our issue of February, 1931, the Board of Inland Revenue have ordered that, subject to the approval of the Commissioners, the allowance of 20 per cent. on the written down value of motor omnibuses may be continued for a further period of five years ending with the year 1935-36, and that at the end of that period the rate of allowance shall be reconsidered.

QUESTIONS IN PARLIAMENT.

Income Tax.

On April 25th Mr. RHYS DAVIES asked the Chancellor of the Exchequer what proportion of the total Income Tax collected for the last financial year was deducted at the source?

Major ELLIOTT: The exact proportion of Income Tax collected at the source is not known, but it is estimated to be in the neighbourhood of 70 per cent.

Deeds of Arrangement Acts.

On April 26th Mr. ROSBOTHAM asked the President of the Board of Trade if he is aware that large sums of money have accumulated in the hands of trustees under deeds of assignment since the passing of the Bankruptcy Act, 1880, and will he take steps to amend the Deeds of Arrangement Acts to make it compulsory for trustees under deeds of assignment to pay in to the Board of Trade dividends and other undivided moneys remaining in their hands after the realisation of estates?

Mr. RUNCIMAN: I have no information which would lead me to suppose that large sums of money have accumulated in the hands of trustees under deeds of arrangement since 1880 or since the passing of the Deeds of Arrangement Act, 1887. With regard to the hon. Member's suggestion in the second part of the question, I would remind him that under sect. 16 of the Deeds of Arrangement Act, 1914, at any time after the expiration of two years from the date of registration of a deed of arrangement it is open to the trustee or a creditor or the debtor to apply to the Court for an Order that all moneys representing unclaimed dividends and undistributed funds in the hands of the trustee or under his control shall be paid into Court.

Income Tax Arrears.

On April 26th Major McLEAN (for Sir GERALD HURST) asked the Financial Secretary to the Treasury how many surtax and super tax payers are in arrear in respect of their taxes; what is the total amount of such arrears; and over how many past years such arrears extend?

Major ELLIOTT: For the purposes of the Budget it was estimated that, at March 31st last, the amount of surtax and super tax in assessment and unpaid which will ultimately prove to be collectable, was about £14,500,000. I cannot say how many persons are covered by this figure. The greater part of the £14,500,000 represents the surtax for the year 1930-31 which was payable on January 1st last, and practically the whole of the remainder represents tax due for the two preceding years.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

Glasgow Students' Society.

The annual meeting of this Society was held on the 6th ult. Mr. W. Davidson Hall, F.S.A.A., presided, and was supported by Mr. James Paterson, F.S.A.A., Secretary of the Scottish Branch. There were also present Mr. C. M. Vance, A.S.A.A., Hon. Secretary of the Students' Society and Golf Club, Mr. Mungo Campbell, A.S.A.A., Mr. Edwin H. Harris, A.S.A.A., Mr. Thomas Tinto, A.S.A.A., Mr. A. M. Shaw, A.S.A.A., Mr. James A. Mowat, Mr. Ian Hewat, Mr. R. Deans, Mr. J. Newman, Mr. J. Helme, and others.

After high tea (provided by the Chairman and Mr. Paterson) the report by the Committee of the Students' Society was read, which showed the Society's membership to have considerably increased. Complaint was made as to the attendance at some of the meetings, and it was agreed that a special effort should be made to improve this state of affairs. The Honorary Treasurer's report and accounts showed the finances to be in a flourishing condition. The Honorary Secretary and the Honorary Treasurer having intimated their wish to be relieved of the duties, it was resolved to combine both offices, and Mr. James A. Mowat, 29, Waterloo Street, Glasgow, was elected Honorary Secretary and Treasurer. The following office bearers were also elected for the ensuing year:—Honorary Presidents, Mr. J. Stewart Seggie, F.S.A.A., Mr. D. Hill Jack, J.P., F.S.A.A., and Mr. Robert T. Dunlop, F.S.A.A. The following were elected an Executive Committee: President, Mr. W. Davidson Hall, F.S.A.A.; Vice-President, Mr. Alfred Palmer, A.S.A.A.; Committee, Mr. James Paterson, F.S.A.A., Mr. J. C. McMurray, F.S.A.A., Mr. W. T. Port, A.S.A.A., Mr. Thomas Tinto, A.S.A.A., Mr. A. M. Shaw, A.S.A.A., Mr. E. H. Harris, A.S.A.A., Mr. R. Deans, Mr. J. Newman, and Mr. James A. Mowat (Hon. Secretary and Treasurer).

Examinations—Glasgow Centre.

The examinations of the Society were held for Scottish candidates in the first week of May at Glasgow. Twenty-four candidates were present, and the sessions were supervised by Mr. James Paterson, the Secretary of the Scottish Branch, assisted by Mr. W. Davidson Hall, F.S.A.A., and Mr. J. Hawthorne Paterson, A.S.A.A.

Scottish Bankruptcy Law—Isle of Man.

Differences in the law of Scotland and that of the Isle of Man have sometimes caused trouble and loss in the case of bankruptcy proceedings of a civil nature against a customer trading and resident in the Isle of Man. Where an offence under the Scottish Bankruptcy Act was charged, the legal position was recently debated in the Chancery Court of the Isle of Man. The question arose in a case where a warrant issued under the Scottish Bankruptcy Act could be enforced in the Island.

Upon the petition of James Kisson, Fiscal of Banffshire, the Sheriff of Aberdeen issued a warrant for the arrest of a man who had carried on business as a farmer in Banffshire, on the ground that he had absconded and failed to turn up for his public examination.

Mr. Eric Jargher, who appeared for the man, argued that a warrant issued under the Scottish bankruptcy law did not extend to the Island, as under sects. 84 and 85 it could only affect people in Great Britain and Ireland, and was not effective in the Isle of Man. The Manx Attorney-General argued that any warrant for a crime outside that Island could be enforced here. Deemster Lamothe upheld the Attorney-General's view, and the man, who was on bail, surrendered, and will be moved to Scotland.

Notes on Legal Cases.

[The abbreviations at the end of each of the cases refer to the following law reports, where full reports of the case may be found. The Law Reports and other reports are cited with the year and the Division, e.g. (1925) 2 K.B. :—

T.L.R., *Times Law Reports*; *The Times*, *The Times Newspaper*; L.J., *Law Journal*; L.J.N., *Law Journal Newspaper*; L.T., *Law Times*; L.T.N., *Law Times Newspaper*; S.J., *Solicitors' Journal*; W.N., *Weekly Notes*; S.C., *Session Cases (Scotland)*; S.L.T., *Scots Law Times*; I.L.T., *Irish Law Times*; J.P., *Justice of the Peace (England)*; L.G.R., *Knight's Local Government Reports*; B. & C.R., *Bankruptcy and Company Cases*.]

COMPANY LAW.

Ocean Coal Company, Limited, v. Powell Duffryn Steam Coal Company, Limited.

Offer of Shares to Other Shareholders.

Under the Articles of Association of a company a shareholder desiring to sell shares in the company was bound to offer such shares to the board of directors and the board was required thereupon to offer those shares to other shareholders at the same price.

Farwell (J.) held that the other shareholders to whom the shares were offered were bound to accept or refuse the offer as a whole, and were not entitled to accept only a part of the shares so offered.

(Ch.; (1932) 48 T.L.R., 290.)

MISCELLANEOUS.

E. B. Savory & Co. v. Lloyds Bank Limited.

Stolen Crossed Bearer Cheques.

Crossed bearer cheques were stolen by employees and were paid by them into a branch bank to the credit of accounts at another branch. The receiving branch sent the cheques direct to the Clearing House, and had not given the customer's branch information as to the drawer or the payee.

It was held by the Court of Appeal that the bank had not discharged the burden of proving that they had dealt with the cheques without negligence.

(C.A.; (1932) L.J.N., 273.)

REVENUE.

Back v. Whitlock.

Income from Foreign Possessions.

A taxpayer, who came to reside in this country, remained possessed of income from foreign possessions.

It was held that the income "first arose" for purposes of income tax when he first received it abroad, not when he became resident in this country, and that he was not, therefore, entitled under sect. 29 (1) (b) (ii) of the Finance Act, 1926, to be assessed on the income received in the year of assessment instead of that received in the preceding year.

(K.B.; (1932) 48 T.L.R., 289.)

Seldon v. Croom-Johnson.

Profits of a Profession.

For the purpose of the computation of profits assessable to income tax, the profession of a King's Counsel is not a profession different from that of a junior barrister.

(K.B.; (1932) 48 T.L.R., 304.)

Holder v. Inland Revenue Commissioners.

Advance by Bank.

The House of Lords dismissed an appeal from an Order of the Court of Appeal (see *Incorporated Accountants' Journal*, May, 1931, p. 330), and held that where an advance is made by a bank and interest thereon is guaranteed and the interest has been debited half-yearly to capital, the guarantors, in paying the total sum due to the bank, are not entitled to repayment of income under the Income Tax Act, 1918, sect. 36.

(H.L.; (1932) L.J.N., 327.)

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